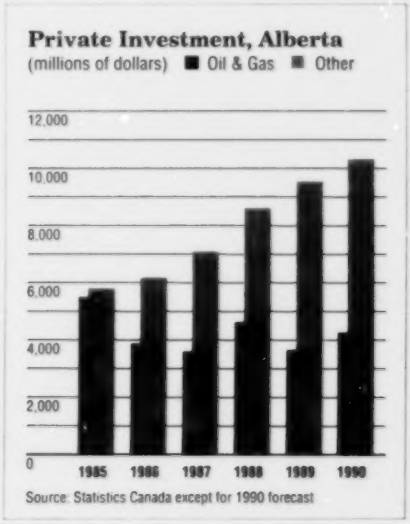
1990 Budget

- The 1990 Budget is a deficit reduction budget.
- The deficit will be cut by more than one billion dollars. This government is on track to meet our goal of a balanced budget by 1991-92.
- Alberta will continue to have the best government expenditure management record in the country. We have held growth in program spending to an average of 1.8% per year since 1985-86.
- There is no increase in personal income taxes. Our taxes will remain the lowest in Canada. We have no retail sales tax.
- Alberta is expected to have one of the fastest growing provincial economies in 1990.
- This budget establishes a framework of affordability which will protect the quality of our core programs in the 1990's.
- Tax expenditures directed to the corporate sector will be reduced by about $350 million in 1990-91.
- Safeguarding the environment is a key priority. We are seeking advice from Albertans on the best approaches to maintain a leadership position in protecting the environment.

Economic Outlook

Over the last three years, there has been a dramatic improvement in Alberta's economy. Alberta is the place to do business in the 1990's.

- In 1990, Alberta will have one of the fastest growing provincial economies, with real economic growth of about 3%.
- In 1989, Alberta reached a new employment record with over 1.2 million people working. Close to 25,000 new jobs are expected to be created in 1990.
- The unemployment rate fell to 7.2%, the second lowest rate in Canada.
- Diversification is working. A growing share of the investment dollar is going to industries outside the energy sector.
- Since 1985, business investment in these industries has climbed by about 65%.
- Investments in tourism, forestry, petrochemicals, advanced technology and research are leading to broadly based growth.



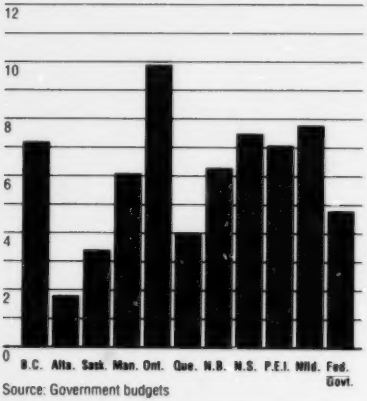
- Energy market fundamentals are moving in our favour. Oil prices have strengthened. Natural gas prices and sales volumes are expected to increase substantially in the coming years.
- Over 17,000 new businesses were started in 1989, the largest number since 1981.

Framework of Affordability

The budget builds on the government's success in expenditure management. It establishes a framework of affordability for government expenditure in the 1990's.

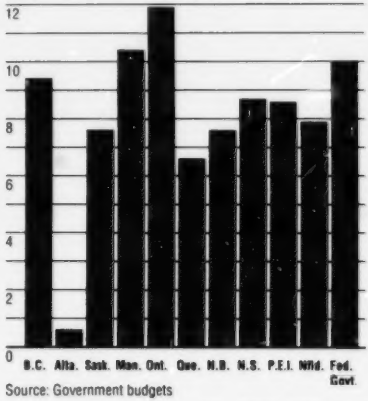
- In the last four years, Alberta's program expenditure has grown at an average of only 1.8% or half the rate of inflation. By comparison, most other provinces have increased their program spending about twice as fast as inflation.

Program Expenditure Growth
1985-86 to 1989-90
(per cent, annual average)



Source: Government budgets

Revenue Growth
1985-86 to 1989-90
(per cent, annual average)



Source: Government budgets

- Our budgetary revenue has just barely returned to the level of four years ago.
- Resources will be focused on our key priorities for the 1990's. Core services are being reassessed to ensure that the changing needs of Albertans are met.
- Our economy is now on a solid growth path. The government can pull back and let Alberta businesses drive economic expansion in the 1990's.

- The manufacturing and processing deduction will expire, as scheduled, on March 31, 1990. The Alberta Stock Savings Plan, which ended in 1989, will not be reinstated. The rebate of provincial corporate income taxes paid by privately owned utilities will be eliminated, effective for their 1990 tax year. The recently announced, price-sensitive Alberta Royalty Tax Credit program will result in substantial savings in 1990-91.

- The small business deduction will be reduced by one percentage point, effective April 1, 1990. This will increase the effective income tax rate for small businesses from 5% to 6%. Alberta's small business rate will still be at least one-third lower than the rate in any other province.

- Reductions in tax expenditures will contribute about $350 million to the government's deficit reduction plan in 1990-91.

Controlling Government Costs

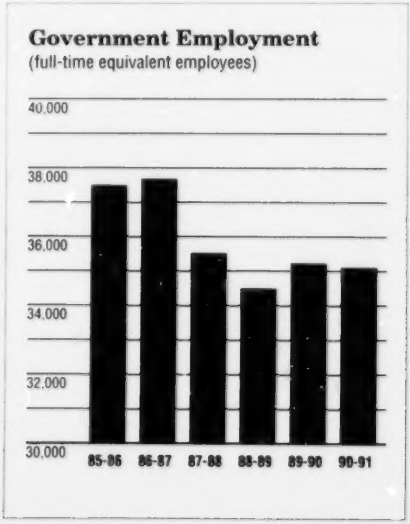
- Internal government operations have been cut to free up funds for core people services. The government's expenditure on internal operations will be almost $30 million lower in 1990-91 than it was five years ago.

- The civil service has been cut by the equivalent of 2,300 full-time positions since 1985-86. Staff are being concentrated on front-line delivery of programs.

- The government will continue to restrain travel and hosting expenses. Travel expenditure in 1990-91 will be 13% lower than in 1985-86.

- Purchases of equipment and other fixed assets will be reduced by close to 30%.

- Spending on construction projects received careful scrutiny. No new health care, post-secondary education or government facilities are included in this budget.



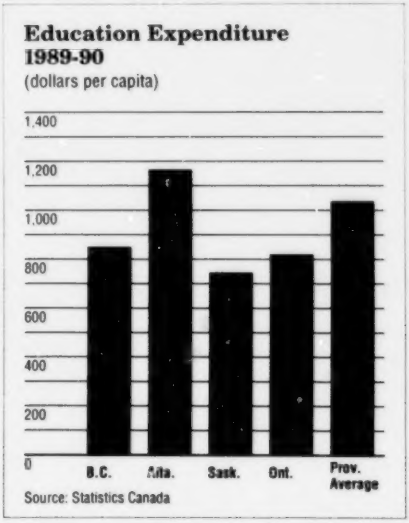
Maintaining Quality Programs and Services for Albertans

Support for our quality education and health programs will be maintained. Increases in these priority programs have been made possible by tight control of other government expenditure.

Education

- Investing in education is our government's most important responsibility.

- Basic operating grants to school boards will increase by 3.5%, the largest increase among the major grant programs. We will provide nearly $3,500 for each child attending school in Alberta.



- Close to $100 million in special education grants will be provided to school boards. Fiscal equity grants will reach almost $70 million. Implementation of our distance education and inner-city school programs will continue.

- In 1990-91, the budget of the department of Advanced Education will exceed $1 billion for the first time in our history. Operating assistance to post-secondary institutions will be increased by 3% to over $7,000 for each full-time equivalent student.

- $8 million is budgeted for the second year of the new Endowment and Incentive Program. Since 1980, post-secondary institutions have received $385 million in public and private support as a result of the government's endowment programs.

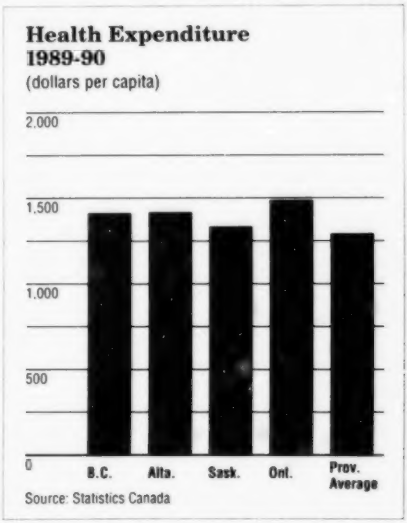
- Overall spending on basic and advanced education will be close to $2.9 billion in 1990-91, one of the highest levels of support among the provinces.

Health

- The government is committed to providing quality health care to Albertans at a cost we can afford. Overall spending on health care for Albertans will rise by nearly 7%, to $3.8 billion.

- The government will continue the shift from expensive institutional care to more cost-efficient community-based care and out-patient services. The budget provides $50 million in grants for home care, more than double the amount provided in 1985-86.

- To help pay a portion of these costs, health care premiums will be increased, over a three year period, to cover 50% of the cost of medical services, excluding services for seniors. Monthly health care premiums will increase on October 1, 1990 to $23 for singles and $46 for families. Seniors will remain exempt from premiums and over 250,000 low-income Albertans will continue to have their premiums subsidized.



Community Support

- Unconditional municipal grants, police assistance grants, library grants and funding for Family and Community Support Services programs will increase by 3%.

- Funding for the Alberta Alcohol and Drug Abuse Commission will increase by almost 6% to over $32 million.

- For children requiring special care, we will provide $2 million to enhance mental health services. The budget for child welfare services will rise by over 5%. There will be a 3% increase in foster care rates.

Women's Programs

- Expenditure on selected programs in support of Alberta women will exceed $130 million in 1990-91. This is a 14% increase over this year's funding and a 29% increase over 1988-89.

- Spending on education and training initiatives which specifically benefit women will be increased by 36% to $10 million. This includes a major increase in funding for the popular Stepping Stones program.

- Funding for child care will increase by 8%, to over $80 million.

- $6.5 million will be provided in 1990-91 for women's shelters and family violence prevention programs. Funding for family relations and maintenance enforcement programs will be increased by 21% to over $8 million.

Agriculture

- Agriculture is the mainstay of our rural communities. To help young people stay on the family farm, the Agricultural Development Corporation will partially guarantee mortgages provided by the farm owners to their children or other purchasers.

- The budget also includes $40 million for Alberta's share of an improved crop insurance program.

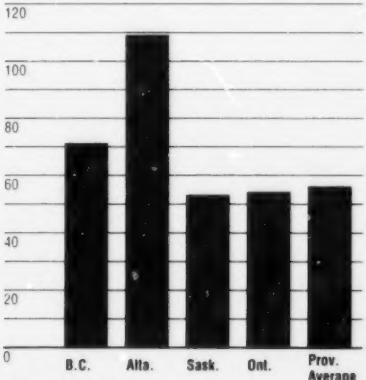
Safeguarding the Environment

Alberta enters the 1990's with a solid commitment to the environment. Our expenditure on environmental programs is the highest in Canada on a per capita basis. We are seeking advice from the public, environmental groups and businesses on the best approaches to ensuring that Alberta remains a leader in protecting the environment.

- A new environmental protection and enhancement act will be developed to meet the environmental challenges of the 1990's.
- An Alberta Round Table will be established with members from the public, business and government.
- The government will also establish a Natural Resources Conservation Board.
- The budget for the Environmental Council of Alberta will increase by over 40%.
- A comprehensive Alberta recycling policy is being developed.
- Over $7 million is budgeted for capacity additions at the Alberta special waste management facility at Swan Hills. The expansion will speed up the elimination of hazardous wastes in Alberta.
- Funding for the Canada-Alberta Soil Conservation Initiative will increase by more than 60% to $4.5 million. Funding will be provided from the Heritage Fund to expand the Pine Ridge Reforestation Nursery to help ensure renewal of our forests.

Environment Expenditure 1989-90

(dollars per capita)



Source: Statistics Canada

Harmful Federal Policies

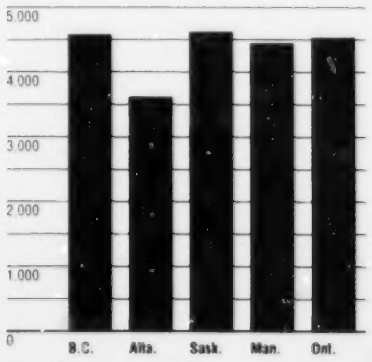
The Alberta government will not allow federal decisions to derail our deficit reduction plan or impair the quality of our programs.

- Alberta has been the leader in opposing the federal Goods and Services Tax. We will pursue all options to convince the federal government to drop this ill-conceived tax.
- We will continue to press Ottawa to abandon its high interest rate policy.
- We will use all available means to obtain a just settlement of our legitimate stabilization claim from the federal government. Albertans should not be penalized for our opposition to the federal Goods and Services Tax.

Taxation

- There is no increase in personal income taxes.
- Due to cutbacks in the federal budget, the fuel tax will increase from 5 cents to 7 cents per litre. A fuel tax of 5 cents per litre will be introduced on propane.
- A 2% tax on the capital of banks and other financial institutions will be introduced.
- The tobacco tax will be increased from $1.20 to $1.40 for a package of 25 cigarettes. Taxes on loose tobacco and on cigars will rise.

Comparison of Provincial Taxes Payable*



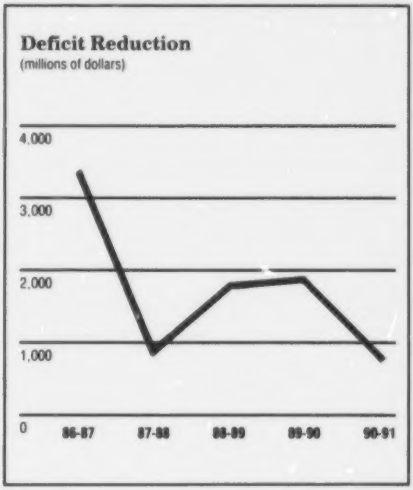
* Family of four, gross income of $40,000. Includes provincial personal income tax, sales tax, health care premiums, payroll tax, tobacco tax, fuel tax, and hotel room tax. Other provinces as of March 6, 1990.

- Albertans will continue to have the lowest taxes in the country. Alberta is the only province without a retail sales tax.

Financial Plan

- The General Revenue Fund deficit is estimated to be $780 million in 1990-91. This is a reduction of over $1 billion from the 1989-90 forecast.

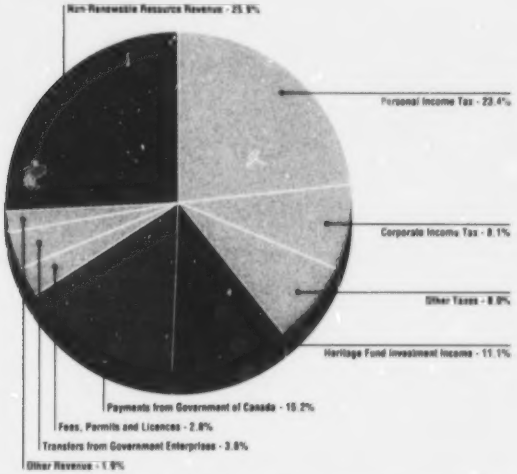
- Expenditure control has been the main focus of our deficit reduction strategy. This budget holds program spending to a 1.4% increase from the 1989-90 forecast level. The average growth in program expenditure since 1985-86 will be only 1.8% per year.



Summary Financial Plan
(millions of dollars)

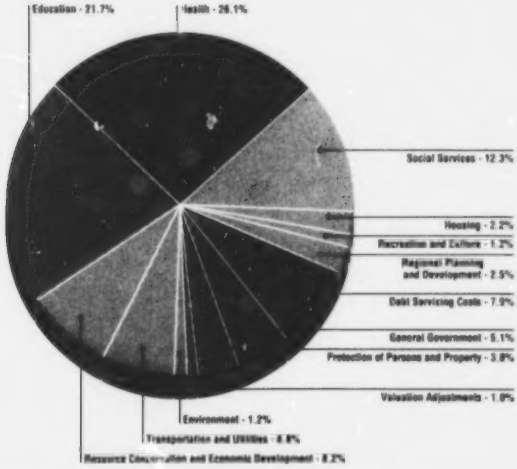
	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Budgetary Revenue				
General	10,150	8,822	8,861	7,854
Heritage Fund Investment Income	1,270	1,300	1,320	1,252
	11,420	10,122	10,181	9,106
Budgetary Expenditure				
Program	11,235	11,075	10,849	10,313
Debt Servicing Costs	965	875	825	576
	12,200	11,950	11,674	10,889
Budgetary Deficit	780	1,828	1,493	1,783

Budgetary Revenue By Major Source
1990-91 Estimate


Non-Renewable Resource Revenue - 25.9%
Personal Income Tax - 23.4%
Corporate Income Tax - 8.1%
Other Taxes - 8.9%
Heritage Fund Investment Income - 11.1%
Payments from Government of Canada - 10.2%
Fees, Permits and Licences - 2.8%
Transfers from Government Enterprises - 3.8%
Other Revenue - 1.9%

Total Budgetary Revenue - $11,420 Million

Budgetary Expenditure By Major Function
1990-91 Estimate


Education - 21.7%
Health - 26.1%
Social Services - 12.3%
Housing - 2.2%
Recreation and Culture - 1.2%
Regional Planning and Development - 2.5%
Debt Servicing Costs - 7.9%
General Government - 5.1%
Protection of Persons and Property - 3.8%
Valuation Adjustments - 1.0%
Environment - 1.2%
Transportation and Utilities - 6.8%
Resource Conservation and Economic Development - 8.2%

Total Budgetary Expenditure - $12,290 Million

Major Provincial Tax Rates, 1990

	Personal Income Tax[a]			Retail Sales Tax	Gasoline Tax Unleaded	Tobacco Tax	Health Premiums Individual/ Family	Corporate Income Tax		Capital Tax[e]	Payroll Tax[f]	Insurance Premiums Tax[g]
	Basic Rate	High Income Surtax	Flat Rate Tax					Small Business Rate	General Rate			
	(%)	(%)	(%)	(%)	(¢/litre)	($/pack of 25)	($/month)	(%)	(%)	(%)	(%)	(%)
British Columbia	51.5	—	—	6	9.04	1.55	31/62	9	14	0/2.0	—	2/3
Alberta	46.5	8	0.5	—	7.0	1.40	23/46	6	15	0/2.0	—	2/3
Saskatchewan	50.0	12	2.0	7	10.0	1.67	—	10[c]	15	0.5/3.0	—	2/3
Manitoba	52.0	—	2.0/4.0	7	9.0	1.63[b]	—	10[c]	17	0.3/3.0	2.25	2/3
Ontario	53.0	10	—	8	11.3	0.96[b]	—	10	15.5[d]	0.3/0.8	1.95	2/3
Quebec	—[h]	—	—	9	14.4	1.13	—	—[h]	—[h]	0.5/1.01	3.36	2/3
New Brunswick	60.0	—	—	11	10.3	1.66[b]	—	9	16	0/3.0	—	2/3
Nova Scotia	56.5	—	—	10	9.3	1.13[b]	—	10[c]	15	0/1.5	—	3/4
Prince Edward Island	57.0	10	—	10	10.6	1.75	—	10	15	0/2.5	—	3
Newfoundland	62.0	—	—	12	11.0	1.32[b]	—	10[c]	17	0/3.0	1.50	4

Rates for other provinces known as of March 15, 1990.

[a] The high income surtax is a percentage of basic provincial tax above a specified level except for Saskatchewan where it is on total provincial tax. Alberta's flat rate tax is on taxable income. Saskatchewan's and Manitoba's flat taxes are on net income. In Manitoba, an additional 2% is applied to high income taxpayers. Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions for low income taxpayers.

[b] Does not include provincial retail sales tax which is applied on top of tobacco tax.

[c] These provinces have a 0% rate for start-up small businesses.

[d] Ontario has a 14.5% rate for manufacturing and processing, mining, logging, farming and fishing income.

[e] The first number is the general capital tax rate and the second number is the rate applied to financial institutions. In Manitoba, the general rate is 0.5% on capital over $10 million.

[f] In Manitoba and Ontario, the payroll tax is applied on a graduated basis to the maximum shown.

[g] The lower rate applies to premiums for life, sickness and accident insurance.

[h] Quebec's personal and corporate tax systems are not directly comparable to those in other provinces.

1990 BUDGET ADDRESS

Presented by the Honourable Dick Johnston
Provincial Treasurer
in the Legislative Assembly of Alberta
on Thursday, March 22, 1990

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1990 Budget Speech

Mr. Speaker, this is a deficit reduction budget. It will keep us on track to balance the budget by 1991-92.

Deficits are everyone's concern. If a government is burdened by debt, it does not have the flexibility to respond to people's needs. Tax dollars spent on debt interest are dollars diverted from core programs.

This government wants the budget balanced. We will do it in a fair and even-handed manner. Our budget tonight sets a framework of affordability which will protect the quality of our core programs in the 1990's.

The strong Alberta economy allows us to take the actions necessary to cut the deficit substantially.

Alberta – The Place To Do Business in the 1990's

Over the last three years, we have seen a dramatic improvement in our economy. Albertans' hard work and firm belief in our province, combined with this government's leadership, are generating a healthy, more broadly based economy. The result is more jobs and greater prosperity for Albertans.

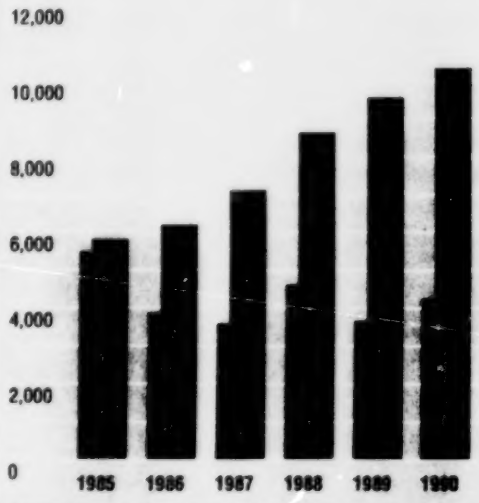
1988 was an exceptionally good year for Alberta. Our economy enjoyed the highest growth rate in Canada. Alberta's increasingly diversified economy, and strong business and consumer confidence enabled us to continue growing in 1989.

Overall prices for our exports rose for the first time since 1985. However, oil production and energy investment were weaker than anticipated, despite the improvement in oil prices. Continued energy industry restructuring, high interest rates and the overvalued Canadian dollar caused the fall in drilling activity.

Growth from Diversification

In spite of reduced energy industry activity, the Alberta economy grew by about 2% in 1989 and our unemployment rate fell to its lowest level since 1981. Our diversification efforts are succeeding. A growing share of the investment dollar is going to industries outside the energy sector. Since 1985, business investment in these industries has climbed by about 65%.

Private Investment, Alberta
(millions of dollars) ■ Oil & Gas ■ Other



Source: Statistics Canada except for 1990 forecast

In 1989, investment in manufacturing was particularly strong, rising by almost 50%. Development of our forestry industry continued. New agricultural processing and metal manufacturing facilities in southern Alberta were completed.

Expansion of the province's natural gas pipeline system and further construction of electric power plants also contributed to strong investment. We once again led the country in total investment per capita.

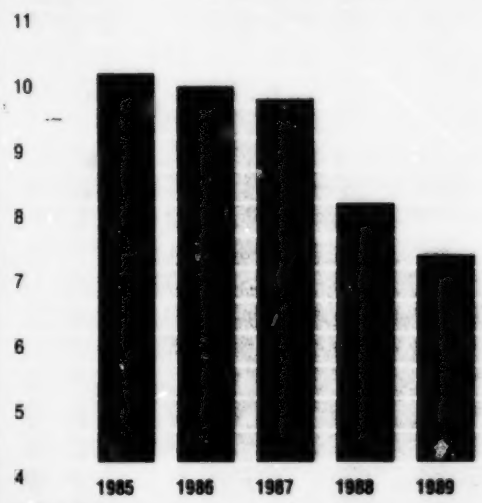
Our agriculture sector continued to show healthy signs last year. Generally favourable growing conditions resulted in above average crop yields. However, quality was somewhat lower and grain prices softened. The livestock industry, especially the beef cattle sector, experienced record receipts during the year.

Strong economic activity, particularly in the construction and service sectors, created 27,000 new jobs in 1989, on top of the 40,000 new jobs in the previous year. The unemployment rate fell to 7.2%, the second lowest rate in Canada. **Alberta reached a new employment record last year, with over 1.2 million people working.**

Alberta has more of its working age population employed than any other province. 67% were employed in 1989, compared to the Canadian average of 62%. This remarkable job creating capacity gives Alberta the second highest personal income per capita in Canada.

Strong economic growth and favourable employment prospects have encouraged migration to our province. Alberta has now experienced two consecutive years of positive net migration. This is the best performance since 1982 – a sure sign of widespread confidence in our province.

Unemployment Rate, Alberta
(per cent)



Source: Statistics Canada

Another positive sign is the robust recovery in the housing market. In 1989, housing starts climbed by 30% to almost 15,000 units, the highest level since 1983. The Alberta Family First-Home program and the Mortgage Interest Shielding program helped improve housing accessibility for Albertans. We have assisted over 55,000 Albertans during this period of high federal interest rates.

Consumer spending continued to strengthen after a solid recovery in 1988. Retail sales grew by almost 8% in 1989. Alberta maintained its first place ranking among the provinces in retail sales per capita.

The vitality of our economy continues to spur a very active and highly competitive business sector. **Well over 17,000 new businesses were started in 1989, the largest number since 1981.** Our dynamic business environment has led such major companies as TransCanada Pipelines and Hughes Aircraft of Canada to move their corporate headquarters to our province.

Positioned for Growth – 1990 and Beyond

Alberta is the place to do business in the 1990's. We have the economic and social infrastructure to seize the opportunities which lie ahead.

Our highly skilled workforce and excellent business environment will be key ingredients for prosperity in this decade. Our provincially based financial sector is gaining strength. It is providing needed services to local businesses and consumers. Alberta business people have the talent and imagination to meet the challenges of the global marketplace. These strengths will be building blocks for the future.

Positive Outlook for Oil and Gas

Energy market fundamentals now seem to be moving in our favour. Oil prices have strengthened substantially since the autumn of 1988. OPEC is now reported to be producing at over 80% of its capacity. I expect continued strength in prices as world demand remains buoyant and oil production in the Soviet Union and the United States continues to decline.

The outlook for natural gas prices is even more positive. Environmental concerns have brought natural gas to the forefront as a premium fuel. Acid rain, air pollution and global warming have become major issues worldwide.

Natural gas is increasingly the fuel of choice for home heating, industrial uses, electric power generation and transportation. In addition, the United States gas surplus is depleting rapidly. As a result, natural gas prices are expected to strengthen in the coming years. Higher prices and increased sales volumes will provide a solid boost to the Alberta economy and the government's finances.

Given the positive outlook for oil and natural gas, I expect energy investment to recover from the low levels experienced in 1989. The energy industry's improved financial position and greater operating efficiency have enhanced its ability to explore and develop in our province. Considerable investment is also taking place to expand the natural gas pipeline system to access North American markets.

Canadian conventional oil production has already started to decline while domestic consumption continues to rise. Investment in non-conventional oil will be critical in meeting Canada's future energy needs. Construction is progressing on the $1.3 billion Husky Oil upgrader.

The OSLO oil sands project near Fort McMurray is essential for Canada's energy self-sufficiency in the 1990's. Without this and similar projects, Canada will become increasingly dependent on imported oil. These major projects require long lead times and a consistent approach to their development.

The Alberta government deplores the federal government's short-sighted decision to break its commitment to invest in OSLO. This project is an economically attractive, long-term investment. Engineering and research work on the project is continuing. Our government remains confident that OSLO will proceed to completion.

Secondary Industries Grow

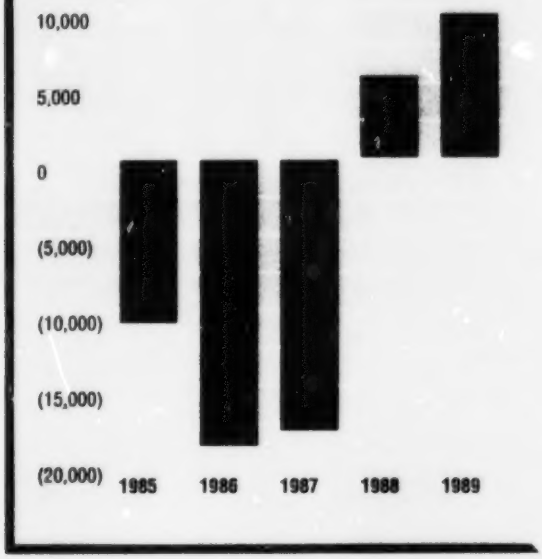
Investment in the non-energy sectors will continue to be a significant source of growth and diversification as the province moves into the 1990's.

Our government's economic agenda is built on development strategies which sustain or improve our environment, not damage it. In pursuing a more diversified economic base, this government will ensure that development takes place in an environmentally sound manner.

Led by activity in the forestry and petrochemical sectors, **I expect total real investment in secondary industries to grow by about 7% this year.**

Housing construction in Alberta should remain strong in response to a healthy economy and ongoing positive net migration. Albertans continue to enjoy some of the most affordable housing in Canada.

Net Migration to Alberta

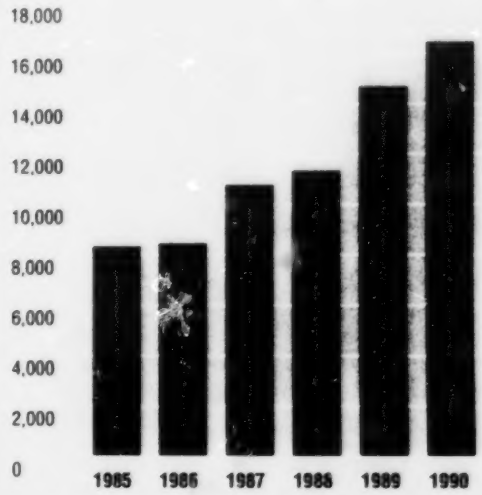


Alberta's pulp production will expand this year as new capacity is added. The province's first newsprint plant will also start production shortly. Our pulp and paper exports are expected to increase by 35% in 1990. Over the next few years, the industry will become one of the largest exporters of manufactured products in the province.

Alberta companies are responding to the opportunities created by the Canada-U.S. Free Trade Agreement. Our state-of-the-art petrochemical industry is about to undertake a new round of investment activity. An $800 million ethylene plant in Fort Saskatchewan is scheduled to begin construction this year.

The Free Trade Agreement will also have a beneficial impact on Alberta's agriculture industry. An expanded market will allow continued growth in our livestock sector and related secondary processing industries. The growing acceptance of canola products in the United States will help broaden the base of Alberta agriculture.

Housing Starts, Alberta



Source: Statistics Canada except for 1990 forecast

New Sources of Strength

Tourism holds great potential for economic growth and job creation. The Calgary Olympics gave Alberta worldwide exposure and the facilities needed to attract and support international events. Our marketing efforts will complement this exposure and further boost tourism revenues.

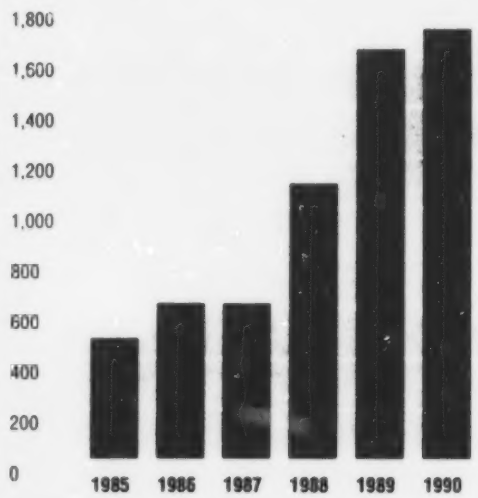
Many private and public initiatives are underway to expand the network of tourist attractions and facilities throughout the province. Alberta has developed standards for training in the tourism and hospitality industry which will improve further our capacity to serve both the business and holiday traveller.

Alberta is building strengths in advanced technology and research. The Alberta Heritage Foundation for Medical Research and the Alberta Research Council are in the forefront of their fields. This government's strong support of our universities and other research organizations has fostered a world-class research environment in Alberta. Advances in cancer and heart research and in therapy for juvenile diabetes were some of the more prominent developments last year.

Our government is facilitating the transfer of technology to develop commercial products. A $140 million partnership with the private sector will construct a centre in Fort Saskatchewan for advanced materials research and development.

A Premier's Council will be established to advise the government on science and technology issues. Alberta will also host the National Forum of Science and Technology Advisory Councils this spring.

Manufacturing Investment
(millions of dollars)



Source: Statistics Canada except for 1990 forecast

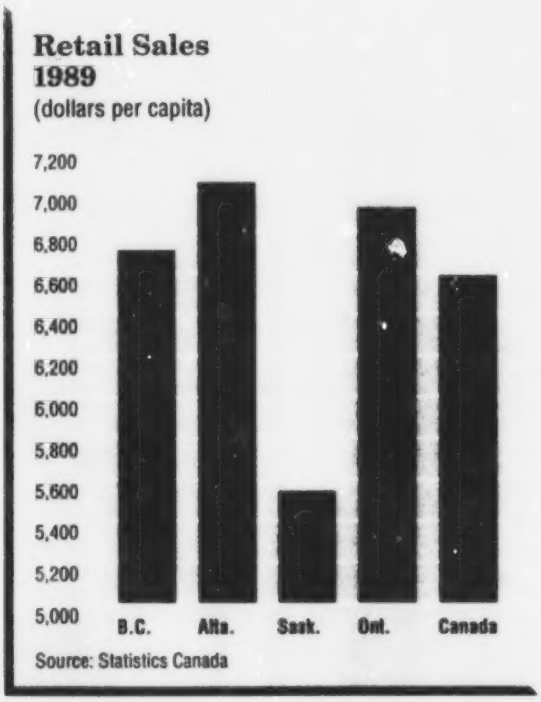
Harmful Federal Policies

Alberta's economic outlook is excellent, but two federal policies – the proposed Goods and Services Tax and high interest rates – are creating uncertainty and hardship for all Canadians.

Our government has been the leader in opposing the federal Goods and Services Tax. Alberta was the first province to take a public stand against this proposed tax. The reasons for our opposition were clearly explained in the position paper released in November 1989.

The GST, if implemented, will fuel inflation, slow economic growth and reduce employment right across Canada. It would also impose a massive administrative burden on small businesses.

We will pursue all options to convince the federal government to drop this ill-conceived tax.



The Bank of Canada's misguided interest rate policy hurts almost everyone – farmers, ranchers, small businesses and homeowners. The Canada-U.S. interest rate differential recently widened to over 5 per cent, far above the twenty-year average of 1.3 per cent. High interest rates increase the cost of new investment and drive up the value of the Canadian dollar, damaging our export industries. The result will be slower Canadian economic growth this year.

Our interest shielding programs are helping to protect Albertans from this harmful federal policy.

A Strong Alberta Economy

Our economy will show considerable resilience to the expected Canadian economic slowdown. Although Alberta is sensitive to developments beyond its borders, strong commodity prices, growing investment and a more diversified economy will keep Alberta on its growth path. Alberta will also benefit from our strengthening ties with the Pacific Rim countries.

Overall, I expect Alberta's economy to grow by about 3% in 1990, creating close to 25,000 new jobs. Alberta will have one of the fastest growing provincial economies. I look forward to stable, sustainable growth in the 1990's.

Albertans know that international developments affect not only our economy but also the province's fiscal situation. In 1986, the dramatic drop in world oil prices reduced our total resource revenue by over 60% and resulted in a large deficit. Since then, this government has made a determined effort to put our fiscal house in order.

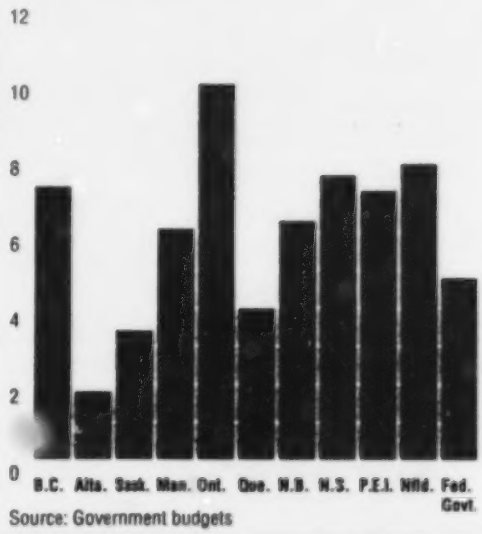
Best Expenditure Management Record

Expenditure control has been the main focus of our deficit reduction strategy. We have held growth in program spending to an average of 1.8% per year since 1985-86. This includes in-year increases of about $225 million in 1989-90 due to unanticipated requirements.

In the last four years, Alberta's program expenditure has grown at only one-half the rate of inflation. By comparison, most other provinces have increased their program spending about twice as fast as inflation.

Alberta has, by far, the best expenditure management record in the country. It has not come easily. This record has been achieved by carefully establishing expenditure priorities. We have cut internal government operations to free up funds for core people services. The number of government employees today is far lower than in 1985-86.

Program Expenditure Growth 1985-86 to 1989-90
(per cent, annual average)



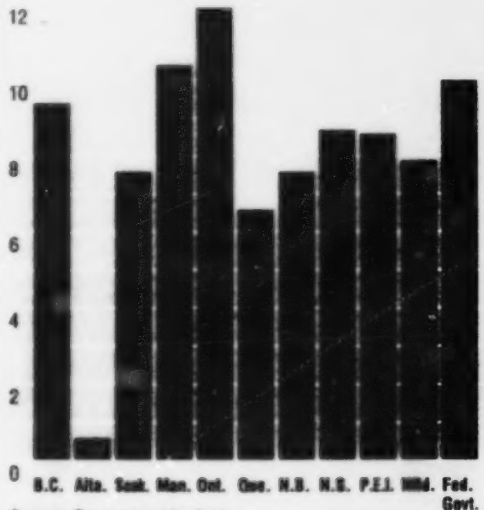
Source: Government budgets

Revenue Still Recovering

We have controlled expenditure and maintained essential services. However, our revenue has not rebounded as fast as I had hoped. Despite some recovery in international oil prices, our total non-renewable resource revenue is still $1.9 billion below the 1985-86 level.

The rapid rise in the Canadian dollar from less than 73 cents U.S. in 1985-86 to almost 85 cents U.S. in the current fiscal year has seriously affected our return on resource exports. Close to $500 million of the resource revenue shortfall is due to the appreciation of the Canadian dollar. In addition, while the volume of natural gas sales has been very strong, gas prices have been weak and conventional oil production has started to decline.

Revenue Growth
1985-86 to 1989-90
(per cent, annual average)



Source: Government budgets

Other revenues, particularly corporate and personal income tax receipts, are increasing as a result of our strengthening economy. However, our total budgetary revenue has just barely returned to the level of four years ago. Our forecast revenue for 1989-90 is only 2.5% higher than in 1985-86.

Consequently, despite the best expenditure management record in Canada, we have not made as much progress in reducing the deficit as I would have liked. I now expect that the current year budgetary deficit will be about $1.8 billion.

Unlike other provinces, we kept taxes low to encourage the growth and diversification of our economy. The positive economic outlook for the 1990's will lead to dynamic growth in revenue in the years ahead.

A Billion Dollar Deficit Reduction

However, if we are to meet our target of a balanced budget in 1991-92, we need to take corrective fiscal actions now. Albertans want the deficit eliminated, but they also want this accomplished in a fair and even-handed manner. We have listened to Albertans. We will achieve these objectives.

Our task has been made more difficult by the recent federal budget. We will not allow federal decisions to derail our deficit reduction plan or affect the high quality of our programs.

The budget I am presenting this evening cuts the deficit by more than one billion dollars in 1990-91 - a reduction of more than one-half. There will be no increase in personal income taxes. People programs receive priority funding. There will be no cuts in core services.

A Framework of Affordability

This budget builds on our success in expenditure management. It establishes a framework of affordability for government expenditure in the 1990's.

As a result of our program cost reviews, we will reduce or eliminate programs which are no longer essential. These reductions include both direct program spending and tax incentives directed to the corporate sector.

Strict controls will be maintained on internal government operations. Further administrative efficiencies will be achieved. Resources will be focused on our key priorities for the 1990's. Core services are being reassessed to ensure that the changing needs of Albertans are met.

We are committed to maintaining the best expenditure management record in Canada.

Reducing Tax Expenditures

During the 1980's, the Alberta government provided financial assistance and a broad range of tax incentives to businesses. These programs assisted the recovery and diversification of our economy.

We are now on a solid growth path. The government can pull back and let Alberta businesses drive economic expansion in the 1990's. We have already announced that special financial assistance to businesses will be sharply limited.

Our program cost review process this year has focused on an evaluation of tax expenditures. They have the same effect on the deficit as program spending.

In 1985, the government introduced a five-year tax deduction for manufacturers and processors. This incentive will expire, as scheduled, on March 31, 1990. It provided about $85 million of assistance in the 1988 tax year.

Similarly, the Alberta Stock Savings Plan expired on December 31, 1989. The expected $30 million annual saving will be realized in 1991-92.

The rebate of provincial corporate income taxes paid by privately owned utilities will be eliminated, effective for their 1990 tax year. We will also discontinue payment of interest on money held in the Utility Companies Income Tax Rebates Fund. These changes will increase revenue by approximately $95 million. We will continue to pass on the rebate of federal corporate income taxes to utility customers.

Our government strongly supports small businesses. Alberta's small business tax deduction on the first $200,000 of active business income is the most generous in the country.

In 1987, when the tax rate for large corporations was raised, we increased the small business deduction to ten percentage points to shield small businesses completely from the increase. As a result, the effective 5% tax rate for small businesses is only one-third of that for large corporations. The deduction provided about $150 million in assistance to small business in the 1988 tax year.

After careful review, we have decided to reduce the small business deduction by one percentage point, effective April 1, 1990. This will

raise the effective income tax rate for small businesses from 5% to 6%, the first increase since the small business deduction was introduced in 1979. **Alberta's small business rate will still be at least one-third lower than the rate in any other province.** The revised program will provide over $135 million in benefits to small businesses in 1990-91.

Late last year, we announced a new price-sensitive Alberta Royalty Tax Credit program. It has a term of five years to provide the energy industry with the certainty they requested. The new program will result in a saving of approximately $85 million in 1990-91. We will still provide oil and gas producers with about $300 million in benefits, most of which will flow to small producers.

We are reviewing the royalty relief provided to the energy industry to encourage investment in enhanced oil recovery. The Alberta government has borne a substantial portion of the risks associated with this program. Beginning in 1990-91, the industry will be required to assume a greater portion of the costs of enhanced oil recovery. Significant savings will be achieved on this $250 million program. Details of the changes are being discussed with the energy industry and will be announced soon.

Program cost reviews are working. Reductions in tax expenditures will contribute about $350 million to our deficit reduction plan in 1990-91 and around $400 million in the following year.

Small Business Deduction

(per cent, April 1, 1990)

	Basic Corporate Income Tax Rate	Small Business Deduction*	Effective Small Business Income Tax Rate
British Columbia	14.0	5.0	9.0
Alberta	15.0	9.0	6.0
Saskatchewan	15.0	5.0	10.0
Ontario	15.5	5.5	10.0

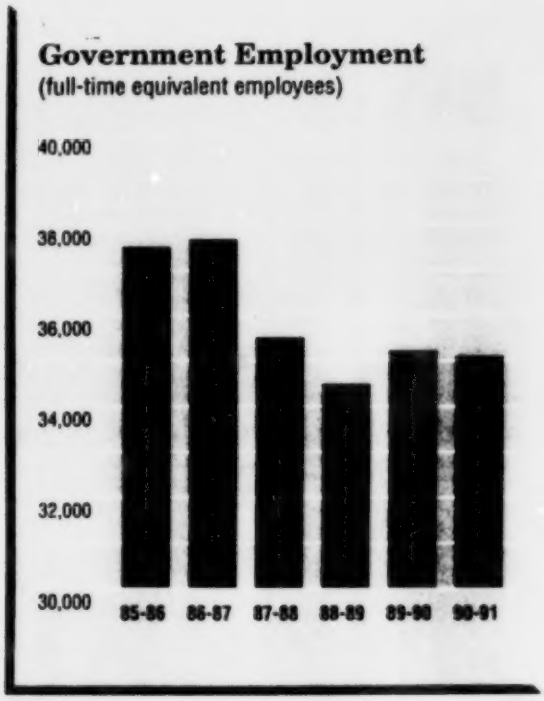
* Applies on the first $200,000 of active business income of Canadian-controlled private corporations.

Controlling Government Costs

We will continue to tighten the government's internal operations. Our objective is to manage better with less so that dollars can be freed up for core services.

The civil service has been cut by the equivalent of 2,300 full-time positions since 1985-86. Government staffing levels will be reduced again in 1990-91, almost entirely through attrition. We are doing more with fewer people.

Government Employment
(full-time equivalent employees)



We will ensure that our personnel are deployed as effectively as possible. Staff will be concentrated on front-line delivery of programs. Departmental support staff has been reduced by one-third since 1985-86.

This government will continue to restrain travel and hosting expenses. Travel expenditure in 1990-91 will be 13% lower than in 1985-86. Hosting budgets for business purposes and special events will be reduced in 1990-91.

We are strictly limiting purchases of equipment and other fixed assets. This budget reduces such spending by close to 30%.

Spending on construction projects also received careful scrutiny. No new health care, post-secondary education or government facilities are included in this budget. Some projects already approved, but not yet under construction, will not proceed as quickly as previously planned.

Our expenditure management program has achieved much over the last five years. We will continue our efforts to squeeze savings from government operations. As part of this government's ongoing attack on government overhead, we have established a duplication task force. It is charged with identifying areas where government programs and administration can be consolidated.

Treasury Board will be conducting further program cost reviews. Additional cost savings will be identified during 1990.

We are providing Albertans with the services they require at a lower cost. We are ensuring that spending is directed to priority needs.

Education – Investing in Our Future

Investing in education is our government's most important responsibility. Top quality education is essential for our children to meet the challenges of a competitive global economy.

Basic operating grants to school boards will increase by 3.5%, the largest increase among the major grant programs. Spending on primary and secondary education will exceed $1.6 billion in 1990-91. **We will provide nearly $3,500 for each child attending school in Alberta.**

This government will help ensure that all students receive a quality education. Close to $100 million in special education grants will be provided to school boards. Fiscal equity grants will reach almost $70 million. Implementation of our distance education and inner-city school programs will continue.

Albertans are proud of our post-secondary education system. We have established quality institutions right across the province.

In 1990-91, the budget of the department of Advanced Education will exceed $1 billion for the first time in our history. **Operating assistance to post-secondary institutions will be increased by 3% to over $7,000 for each full-time equivalent student.**

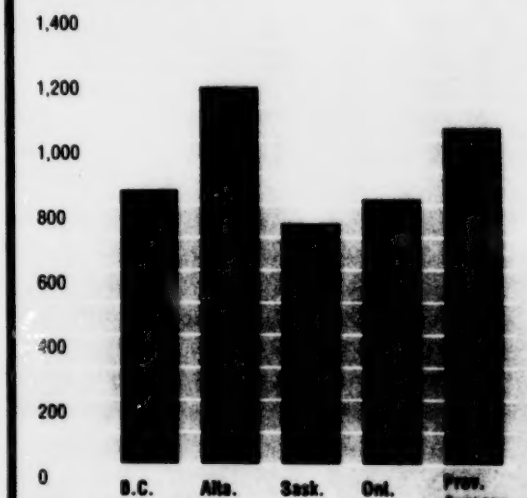
We are budgeting $8 million for the second year of the new Endowment and Incentive program. This ten-year, $80 million program helps fund research, scholarships, new programs and new facilities.

The two previous endowment programs were highly successful. Since 1980, our post-secondary institutions have received $385 million in public and private support as a result of these programs. Initiatives have ranged from major new facilities, such as the business education building at the University of Calgary, to student scholarships and bursaries at post-secondary institutions in northern Alberta.

The government will implement changes to the student financial assistance program in 1990-91, as a result of a program cost review. We will redirect our assistance to those students who need it the most. Details of the changes will be announced by the Minister of Advanced Education. Alberta's student assistance program will remain the most generous in Canada.

Overall spending on basic and advanced education will be close to $2.9 billion in 1990-91. This includes programs funded by the department of Career Development and Employment and spending on post-secondary facilities from the Capital Fund. Alberta provides one of the highest levels of support for education among the provinces.

Education Expenditure 1989-90
(dollars per capita)



Source: Statistics Canada

Quality Health Care

This government is committed to providing quality health care to Albertans. As we move into the 1990's, we must ensure that our health care system meets the changing needs of our citizens at a cost we can afford.

The government is working hard to control the growth in health care costs. Substantial progress has been made. Through careful management, our health care spending has been brought in line with that of other provinces. We have accomplished this while maintaining the best health care system in Canada.

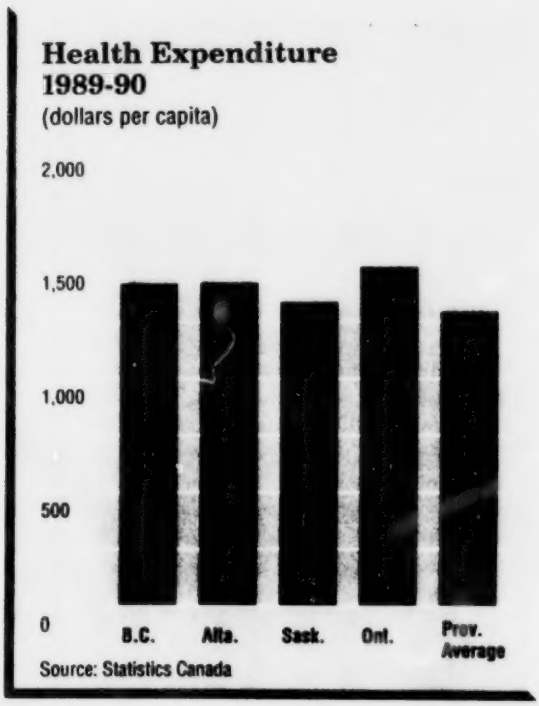
This government will continue the shift from expensive institutional care to more cost-efficient community-based care and out-patient services. Seniors will be assisted to remain in their homes and communities, close to their families. **This budget provides $50 million in grants for home care, more than double the amount in 1985-86.**

Overall spending on health care for Albertans will rise by nearly 7%, to $3.8 billion. This includes expenditure from the General Revenue Fund, the Health Care Insurance Fund, the Capital Fund and the Heritage Fund.

To help pay a portion of these costs, preferred accommodation charges and long-term care resident fees in hospitals and nursing homes will increase.

The government also believes it is appropriate that health care premiums cover 50% of the cost of medical services, excluding services for seniors. This policy will be phased in over the next three years. As the first step, monthly health care premiums will increase on October 1, 1990 to $23 for singles and $46 for families. In addition, Blue Cross premiums for non-group registrants will be raised to a level comparable with the premiums charged for group coverage.

Seniors will remain exempt from both health care and Blue Cross premiums and over 250,000 low-income Albertans will continue to have their premiums fully or partially subsidized.



Strengthening Alberta Families and Communities

Families and communities are the foundations on which we are building a better life for all Albertans. The first ever Family Day in Canada was celebrated in Alberta last month. Family Day recognizes the fundamental importance of family in our lives.

Family life is enhanced by quality community services and facilities. In January, we announced that unconditional municipal grants and police assistance grants would increase by 3% in 1990-91.

Tonight, I am pleased to announce that funding for Family and Community Support Services programs will increase by 3%. Grants to libraries will rise by an average of 3% as well.

The Community Facility Enhancement Program will provide $33 million in lottery funding to assist local community groups in expanding and upgrading facilities for Alberta families, as part of our three-year, $100 million program.

This budget will continue our support for Alberta families with special needs. The tragedy of alcohol and drug abuse has affected many families in Alberta. We will expand our efforts to prevent these problems. Funding for the Alberta Alcohol and Drug Abuse Commission will increase by almost 6% to over $32 million. Planning for the establishment of the new Alberta Family Life and Drug Abuse Foundation will continue.

We will also increase our support for children requiring special care. We will provide $2 million to enhance mental health services for children. The budget for child welfare services will rise by over 5%. There will be a 3% increase in foster care rates, on top of the 10% increase last year.

This government will ensure that our programs meet the needs of Alberta families in the 1990's.

Increasing Opportunities for Alberta Women

We remain firmly committed to enhancing opportunities for Alberta women.

This government has a number of programs which help women enter the workforce or start their own businesses.

Spending on education and training initiatives which specifically benefit women will increase by 36% to over $10 million. This includes a major increase in the budget of the Women's Secretariat for the popular Stepping Stones program.

Within the Alberta public service, a comprehensive review of job classifications and salaries of administrative functions, mostly occupied by women, has been completed. Salaries are being adjusted upward to ensure that the pay for these positions is appropriate for the skills required. Over $7 million is budgeted for this initiative in 1990-91.

The provision of quality child care is an important concern to Alberta women and their families. Day care helps smooth the way for many women to enter the workforce. Funding for child care will increase by 8%, to over $80 million.

To help women and children who experience violence within the family, the government will increase funding of women's shelters and family violence prevention programs. $6.5 million will be provided in 1990-91, an increase of 9%. Funding for family relations and maintenance enforcement programs will rise by 21%, to over $8 million.

The Alberta government will also continue to review school curricula and programs to ensure that they are free from gender bias. Our daughters and sons must be encouraged to explore the full range of opportunities available to them.

Our expenditure on selected programs in support of Alberta women and their families will exceed $130 million in 1990-91. This is a 14% increase over this year's funding and a 29% increase over 1988-89. The Alberta action plan for women is working.

Selected Programs in Support of Alberta Women

(thousands of dollars)

	1990-91 Estimate	1989-90 Forecast	1988-89 Actual
Women and the Family			
Child Care	80,727	74,816	67,127
Widows' Allowance	9,570	9,624	9,568
Family Relations and Maintenance Enforcement	8,226	6,798	5,434
Women in the Workplace			
Job Enhancement for Nurses	2,000	2,000	—
Career Information	229	144	167
Support to Entrepreneurial Women	91	103	1
Women in Education and Training			
Employment Alternatives Program	8,800	6,694	9,635
Pre-Training and Bridging	943	471	181
Language Training Programs	312	312	—
Stepping Stones Program	168	18	—
Women and Health			
Breast Cancer Screening	944	880	—
Reproductive Health Services	2,752	2,649	2,558
Treatment of Substance Abuse	672	648	583
Women in the Community			
Women's Shelters and Family Violence Prevention	6,507	5,962	4,716
Grants to Women's Community Groups	198	169	153
Women in the Public Service			
Administrative Class Review	7,133	2,075	—
Women's Program and Career Centre	345	245	233
Advice on Women's Issues	1,049	975	733
	130,666	114,583	101,089

Support for Native and Metis People

This government believes that Native and Metis people should be full partners in Alberta's future.

On April 1, 1990, the Alberta-Metis Settlements Accord will be implemented. The Accord will be the basis for building a strong and vibrant community life for the residents of Alberta's eight Metis settlements. **For the first time in the history of Canada, Metis people will have their own land base.** The government will provide $310 million in direct developmental assistance over the next 17 years, including $30 million in 1990-91.

This government has also taken the lead in facilitating settlement of several long-standing status Indian treaty claims. Settlements have been reached with the Whitefish Lake and Sturgeon Lake Indian bands. We are all aware of the leadership displayed by Premier Getty in seeking a fair settlement for the Lubicon Lake Indian Band.

Our Commitment to Agriculture

Agriculture is the mainstay of our rural communities. We remain steadfast in our support of Alberta's hard-working farmers and ranchers.

A comprehensive crop insurance program will be implemented in 1990-91. Alberta agreed to pay 25% of the cost of crop insurance on the condition that the program be expanded and upgraded. **This budget includes $40 million for Alberta's share of the improved crop insurance program.**

We will continue our support of stabilization programs for Alberta farmers and ranchers. This government will provide over $21 million as Alberta's contribution to these tripartite programs.

Our agricultural producers also benefit from our substantial assistance with their input costs. The Farm Credit Stability Program has provided over $2 billion in long-term financing to 23,000 farmers and ranchers at a 9% interest rate.

Preserving the family farm is the heart of our agricultural policy. A significant new financing initiative to help young people stay on the family farm has recently been announced. The Agricultural Development Corporation will partially guarantee mortgages provided by the farm owners to their children or other purchasers.

An additional $68 million will be provided this year to continue rehabilitation and development of irrigation systems. By the end of 1990-91, the total investment in irrigation by the Heritage Fund will exceed $780 million. This is a clear example of our ongoing commitment to Alberta agriculture.

Safeguarding the Environment

Protecting our land, water and air is essential to our quality of life. We cannot expect to sustain economic prosperity unless we preserve our environment.

We are actively seeking advice from the public, environmental groups and businesses on the best approaches to ensuring that Alberta remains a leader in protecting the environment. **Through this open process, the government will develop a new environmental protection and enhancement act to meet the environmental challenges of the 1990's.**

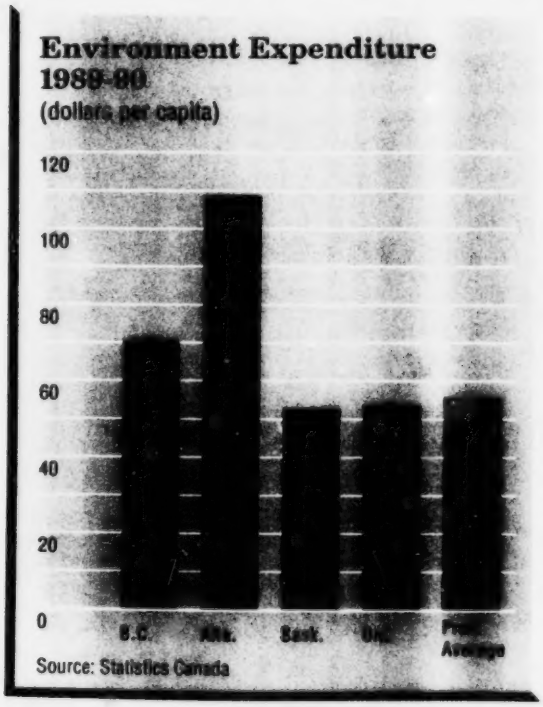
As part of our efforts to obtain the best advice on environmental issues, an Alberta Round Table will be established with members from the public, business and government. In addition, funding for the Environmental Council of Alberta will be increased by over 40% in 1990-91.

To increase public participation and access, we have strengthened our environmental review process. The review of the proposed Alberta-Pacific pulp and paper mill demonstrated our commitment to the environment.

Further steps will be taken in 1990-91. We plan to establish a Natural Resources Conservation Board. In designing the new Board, we will draw from our experience with the highly successful Energy Resources Conservation Board.

We will also pursue the development of a comprehensive Alberta recycling policy. While there are already many local initiatives underway, this government intends to expand the scope of recycling programs to ensure greater environmental benefits to Albertans.

To continue our leadership in dealing with hazardous wastes, over $7 million is budgeted for capacity additions at the Alberta special waste management facility at Swan Hills. The expansion will speed up the elimination of hazardous wastes in Alberta. Our foresight in developing this facility has significantly reduced the risks associated with hazardous wastes.



Protecting and conserving Alberta's agricultural land base is an important priority of this government. Funding from the department of Agriculture for the Canada-Alberta Soil Conservation Initiative will increase by more than 60% to $4.5 million. Funding will be provided from the Heritage Fund to expand the Pine Ridge Reforestation Nursery to help ensure renewal of our forests.

Alberta enters the 1990's with a solid commitment to the environment. Our expenditure on environmental programs is already the highest in Canada on a per capita basis. The budget of the department of Environment will increase by nearly 10% in 1990-91. We will continue to safeguard Alberta's environment.

1990-91 Expenditure Plan

In summary, the framework of affordability which I have just described puts in place our plan to meet the needs of Albertans in the 1990's. It provides the funding necessary to maintain our core programs.

All of the increase in program spending since 1985-86 has been directed to school boards, post-secondary institutions, hospitals, nursing homes, local health units and municipalities. Total support for these local authorities has increased at an average annual rate of over 5% per year since 1985-86.

The increases in these priority programs have been made possible by tight control of other government expenditure. Spending on internal government operations is almost $30 million lower than it was five years ago.

Total program spending in 1990-91 is budgeted at $11.2 billion. **Average growth in program expenditure since 1985-86 will be only 1.8% per year.** Over this same period, inflation is expected to average about 3.8% per year. We continue to have the best government expenditure management record in the country.

Program Expenditure Growth
1985-86 to 1990-91

	Total Increase ($ millions)	Annual Growth Rate (per cent)
Support for Local Authorities	975	5.1
Other Grants	(7)	—
Government Internal Operations	(29)	(0.2)
Total Program Expenditure	939	1.8
Inflation		3.8

Our budget plan makes tough choices and deals fairly with our grant recipients. This cannot be said of the recent federal budget. Instead of making difficult decisions on its own spending, Ottawa decided to shift part of its deficit problem to the provinces.

The primary thrust of the federal budget was to cut federal cash transfers for health and post-secondary education. In 1990-91, cash transfers to Alberta will be $100 million lower than under the current system. The annual cash loss to Alberta rises to $180 million in 1991-92.

In addition, the federal budget singled out Ontario, British Columbia and Alberta by placing a ceiling on transfers under the Canada Assistance Plan. This Plan provides cost-sharing of social assistance benefits and services. We strongly disagree with Ottawa's view that basic national programs need not apply equally to all provinces. We will join the court challenge of the federal government's decision to break this long-standing intergovernmental agreement.

Health, post-secondary education and social assistance programs are of fundamental importance to all Canadians. The funding arrangements for these programs reflect the federal nature of our country. The erosion of federal support, which the federal government has undertaken unilaterally, greatly undermines established principles of fiscal federalism.

I am also deeply concerned about the growing centralization of fiscal power in Ottawa. The federal government already occupies over 60% of the income tax field. If the Goods and Services Tax goes through, the federal government would also dominate the consumption tax area.

The expanded use of federal taxing powers and the federal retrenchment on transfer programs are impairing the ability of the provinces to meet the needs of their citizens.

Our commitment to maintain core services for Albertans, while still cutting the deficit in half, requires selected changes in taxes and fees.

Alberta is the only province which does not levy a tax on the capital of financial institutions. Alberta customers of financial institutions have not benefited from lower interest rates or service charges, despite our policy. Therefore, as part of our deficit reduction plan, a 2% tax on the capital of financial institutions will be introduced, effective April 1, 1990. This tax is expected to generate about $40 million in revenue in 1990-91.

The tobacco tax will be increased from $1.20 to $1.40 for a package of 25 cigarettes, effective midnight tonight. The tax on loose tobacco will increase from 2 cents per gram to 3 cents per gram and taxes on cigars will also rise. I expect that these measures will add about $25 million to revenue in 1990-91 and help promote healthier lifestyles.

Some fees and charges will also be increased as a result of our regular reviews, including motor vehicle registration fees. These measures will raise revenue by about $25 million. In addition, annual rentals for mineral rights leases will be increased on June 1, 1990, generating $28 million more revenue in 1990-91.

We had hoped to avoid any other revenue measures, but the cutbacks in the recent federal budget left us with no other alternative. We could not allow the federal budget to interrupt our deficit reduction plan.

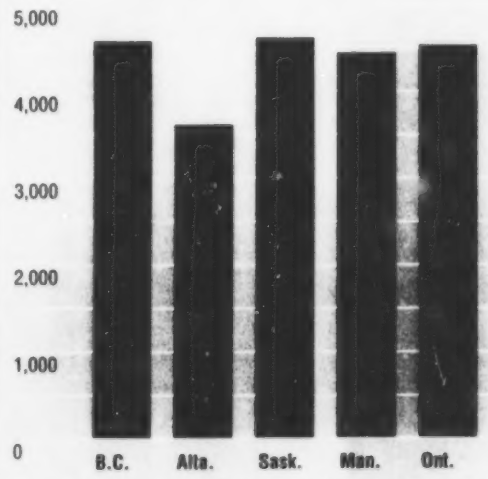
The fuel tax will be increased from 5 cents to 7 cents per litre, effective midnight tonight, except for aviation fuel. Farmers and ranchers will remain exempt from the fuel tax, but grants under the Alberta Farm Fuel Distribution Allowance will be reduced by 2 cents a litre. Our assistance to farmers and ranchers with their fuel costs will remain the most generous in Canada. In 1990-91, over $90 million is budgeted for grants under the Alberta Farm Fuel Distribution Allowance program.

The fuel tax base will also be expanded to include propane used as transportation fuel. The tax rate will be 5 cents per litre, reflecting the lower energy content of each litre of propane compared to gasoline. To allow time to put the necessary administration in place, this change will be effective June 1, 1990.

These measures are expected to increase fuel tax revenue by about $125 million in 1990-91.

Albertans will continue to have the lowest taxes in the country. Alberta is the only province without a retail sales tax.

Comparison of Provincial Taxes Payable*



* Family of four, gross income of $40,000. Includes provincial personal income tax, sales tax, health care premiums, payroll tax, tobacco tax, fuel tax, and hotel room tax. Other provinces as of March 6, 1990.

Major Provincial Tax Rates, 1990

	Personal Income Tax[a]			Retail Sales Tax	Gasoline Tax Unleaded	Tobacco Tax	Health Premiums Individual/ Family	Corporate Income Tax		Capital Tax[e]	Payroll Tax[f]	Insurance Premiums Tax[g]
	Basic Rate	High Income Surtax	Flat Rate Tax					Small Business Rate	General Rate			
	(%)	(%)	(%)	(%)	(¢/litre)	($/pack of 25)	($/month)	(%)	(%)	(%)	(%)	(%)
British Columbia	51.5	—	—	6	9.04	1.55	31/62	9	14	0/2.0	—	2/3
Alberta	46.5	8	0.5	—	7.0	1.40	23/46	6	15	0/2.0	—	2/3
Saskatchewan	50.0	12	2.0	7	10.0	1.67	—	10[c]	15	0.5/3.0	—	2/3
Manitoba	52.0	—	2.0/4.0	7	9.0	1.63[b]	—	10[c]	17	0.3/3.0	2.25	2/3
Ontario	53.0	10	—	8	11.3	0.96[b]	—	10	15.5[d]	0.3/0.8	1.95	2/3
Quebec	—[h]	—	—	9	14.4	1.13	—	—[h]	—[h]	0.5/1.01	3.36	2/3
New Brunswick	60.0	—	—	11	10.3	1.66[b]	—	9	16	0/3.0	—	2/3
Nova Scotia	56.5	—	—	10	9.3	1.13[b]	—	10[c]	15	0/1.5	—	3/4
Prince Edward Island	57.0	10	—	10	10.6	1.75	—	10	15	0/2.5	—	3
Newfoundland	62.0	—	—	12	11.0	1.32[b]	—	10[c]	17	0/3.0	1.50	4

Rates for other provinces known as of March 15, 1990.

[a] The high income surtax is a percentage of basic provincial tax above a specified level except for Saskatchewan where it is on total provincial tax. Alberta's flat rate tax is on taxable income. Saskatchewan's and Manitoba's flat taxes are on net income; in Manitoba, an additional 2% is applied to high income taxpayers. Alberta, Saskatchewan, Manitoba and Ontario provide tax reductions for low income taxpayers.

[b] Does not include provincial retail sales tax which is applied on top of tobacco tax.

[c] These provinces have a 0% rate for start-up small businesses.

[d] Ontario has a 14.5% rate for manufacturing and processing, mining, logging, farming and fishing income.

[e] The first number is the general capital tax rate and the second number is the rate applied to financial institutions. In Manitoba, the general rate is 0.5% on capital over $10 million.

[f] In Manitoba and Ontario, the payroll tax is applied on a graduated basis to the maximum shown.

[g] The lower rate applies to premiums for life, sickness and accident insurance.

[h] Quebec's personal and corporate tax systems are not directly comparable to those in other provinces.

1990-91 Revenue Outlook

The tax and fee changes I have just announced will add about $240 million to revenue in 1990-91. Our strong economy and the reductions in tax expenditures I described earlier will further boost our revenue growth.

Overall, I am estimating that revenue will grow by about 13% to over $11.4 billion. This budget assumes that the price of oil will average 21 dollars per barrel U.S. in 1990-91.

As Albertans know, we have submitted a $540 million stabilization claim to the federal government in respect of the 30% drop in our revenue in 1986-87. The federal government made an interim payment of $75 million in June 1989 and acknowledges that more is owed to Alberta. But to date, the federal bureaucracy has refused to deal seriously with the claim we initiated nearly three years ago. This is completely unfair to Albertans.

The design of the stabilization program is already strongly biased against resource-producing provinces. Unlike other revenues, resource royalties must fall by more than 50% before a province becomes entitled to benefits in respect of these revenues.

It is imperative that Alberta's legitimate claim for stabilization be dealt with fairly and expeditiously. A recently reported study of federal-provincial transfers concluded that, from 1961 to 1985, Alberta paid $100 billion more to Ottawa than we received.

We are determined to pursue our claim, using all available means to obtain a just settlement. **Albertans should not be penalized for our opposition to the federal Goods and Services Tax.**

Financial Plan

In summary, the budgetary deficit is estimated to be $780 million in 1990-91. **This is a reduction of over $1 billion from the 1989-90 forecast.** Our commitment to sound fiscal management is producing results.

The sharply reduced deficit in 1990-91 will slow the growth in debt servicing costs and substantially reduce our borrowing requirements. The province has borrowed about $9 billion for the General Revenue Fund and the Capital Fund over the last few years. I am concerned about the amount we have had to borrow but it was necessary to preserve our quality programs and help stabilize our economy.

The investment income earned on the $12 billion of Heritage Fund financial assets is a stable source of revenue to help meet budgetary needs. The Heritage Fund will contribute almost $1.3 billion in 1990-91, or 11% of total revenue.

Summary Financial Plan
(millions of dollars)

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Budgetary Revenue				
General	10,150	8,822	8,861	7,854
Heritage Fund Investment Income	1,270	1,300	1,320	1,252
	11,420	10,122	10,181	9,106
Budgetary Expenditure				
Program	11,235	11,075	10,849	10,313
Debt Servicing Costs	965	875	825	576
	12,200	11,950	11,674	10,889
Budgetary Deficit	780	1,828	1,493	1,783

In conclusion, Mr. Speaker, the 1990 budget meets the expectations of Albertans.

The deficit will be cut by more than one-half. We are on track to meet our goal of a balanced budget by 1991-92.

Support for our quality health and education programs will be maintained. Families and communities will be strengthened. Safeguarding the environment will remain a key priority.

There is no increase in personal income taxes. Our taxes will remain the lowest in Canada. Alberta has no retail sales tax.

Diversification is working. The broadening base of our economy will provide new business opportunities and quality jobs for Albertans.

Alberta is the place to be in the 1990's.

A

Tables and Charts

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Charts

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The General Revenue Fund is the main operating fund of the province. It receives all public money, except money which is specially designated otherwise by legislation or paid in trust to the province. Most government services are paid for through appropriations from the General Revenue Fund.

The annual provincial budget deals primarily with the General Revenue Fund. The revenue and expenditure of the Fund constitute the province's budgetary transactions.

Budgetary revenue has two major components: general revenue and Heritage Fund investment income. General revenue consists of taxes, non-renewable resource revenue, transfers from the Government of Canada, transfers from provincial government enterprises, revenue from fees, permits and licences, and other miscellaneous revenue. Heritage Fund investment income highlights the contribution to budgetary revenue of the transfer, since September 1982, of all net income earned on Heritage Fund assets.

Budgetary expenditure has two main parts: voted appropriations and statutory appropriations. Expenditures made from the General Revenue Fund on the authority of supply votes approved by the Legislature are termed voted appropriations. Expenditures made on the authority of legislation which directs that such expenditures may be made without annual appropriations are termed statutory appropriations. Statutory appropriations consist mainly of interest payments on the provincial public debt.

Budgetary expenditures are presented in the tables by functional categories as well as by departments. The departmental estimates for the current year are further divided into operating and capital expenditures. Prior years' expenditures are restated where necessary to conform to the current year's presentation.

Non-budgetary transactions of the General Revenue Fund are financial transactions which affect the assets and liabilities of the Fund but do not change the net debt or deficit position. These transactions include loans and advances to government entities and their repayment, the issue and retirement of the province's debt instruments, and the purchase and sale of investments by the General Revenue Fund.

General Revenue Fund

Budgetary Revenue and Expenditure

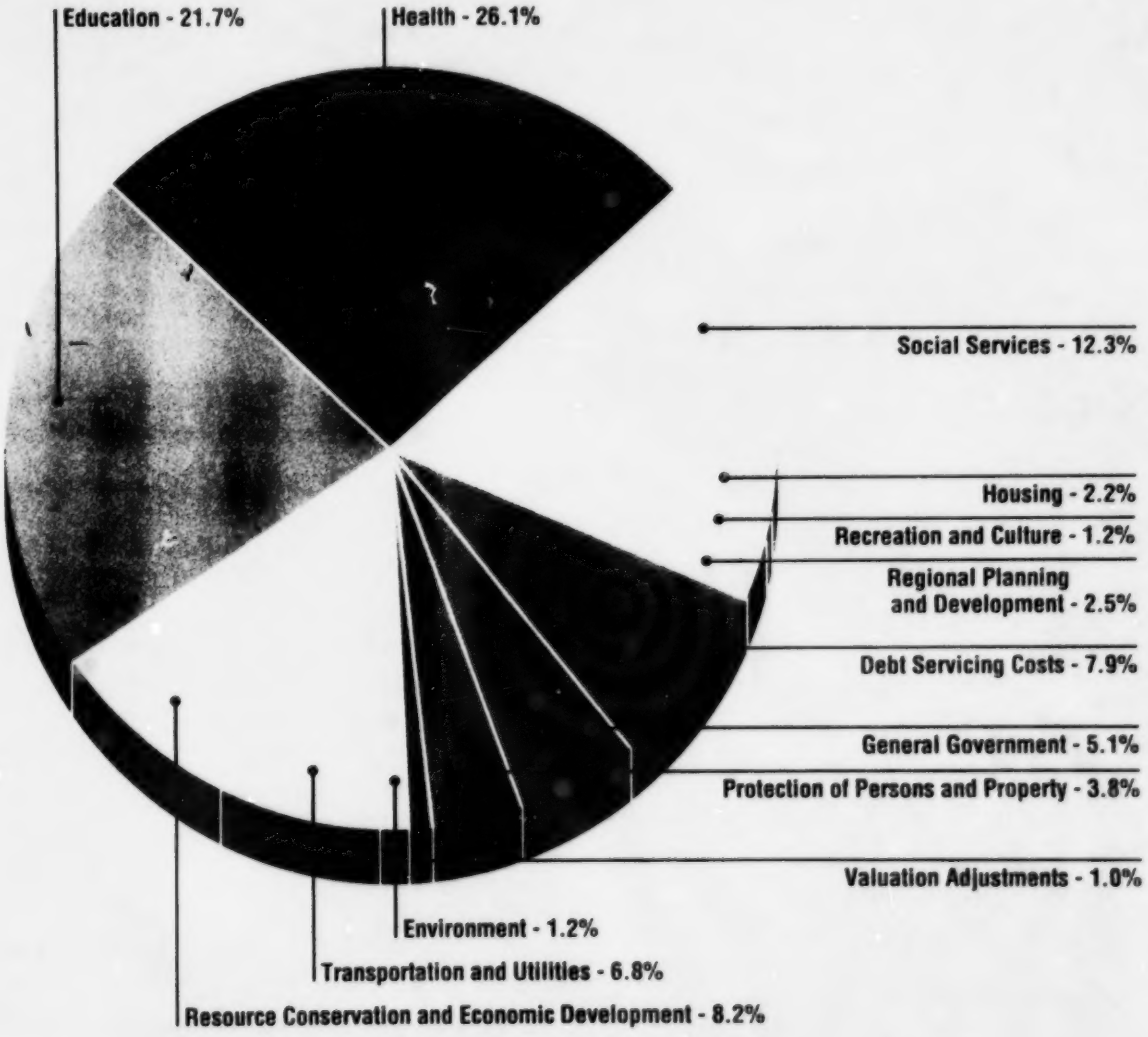
(thousands of dollars)

Table A1

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Revenue				
General Revenue				
Taxes	4,514,000	3,966,000	3,678,000	3,315,250
Non-Renewable Resource Revenue	2,954,000	2,420,000	2,612,000	2,076,038
Payments from Government of Canada	1,736,000	1,563,000	1,686,000	1,611,172
Transfers from Government Enterprises	413,000	398,000	407,000	385,621
Fees, Permits and Licences	317,000	277,000	289,000	263,018
Other Revenue	216,000	198,000	189,000	202,947
	10,150,000	8,822,000	8,861,000	7,854,046
Heritage Fund Investment Income	1,270,000	1,300,000	1,320,000	1,252,219
	11,420,000	10,122,000	10,181,000	9,106,265
Expenditure				
Health	3,181,911	3,021,816	2,999,630	2,748,359
Education	2,645,068	2,561,505	2,571,681	2,451,950
Social Services	1,505,663	1,511,060	1,464,651	1,433,156
Resource Conservation and Economic Development	1,005,899	1,078,046	992,398	937,082
Transportation and Utilities	824,479	827,156	812,986	793,989
Protection of Persons and Property	465,606	545,811	442,941	448,854
Regional Planning and Development	299,972	264,361	267,711	239,953
Housing	273,766	271,934	292,340	201,534
Recreation and Culture	147,473	150,373	151,400	155,412
Environment	141,266	130,919	126,502	123,566
General Government	621,115	601,443	607,277	643,738
Valuation Adjustments	122,400	201,844	119,400	135,629
Debt Servicing Costs	965,000	875,000	825,000	575,594
General allowance for lapsed appropriations	—	(91,000)	—	—
	12,199,618	11,950,268	11,673,917	10,888,816
Budgetary Deficit	779,618	1,828,268	1,492,917	1,782,551

Budgetary Expenditure By Major Function
1990-91 Estimate

Chart A1


Education - 21.7%
Health - 26.1%
Social Services - 12.3%
Housing - 2.2%
Recreation and Culture - 1.2%
Regional Planning and Development - 2.5%
Debt Servicing Costs - 7.9%
General Government - 5.1%
Protection of Persons and Property - 3.8%
Valuation Adjustments - 1.0%
Environment - 1.2%
Transportation and Utilities - 6.8%
Resource Conservation and Economic Development - 8.2%

Total Budgetary Expenditure - $12,200 Million

General Revenue Fund

Budgetary Revenue

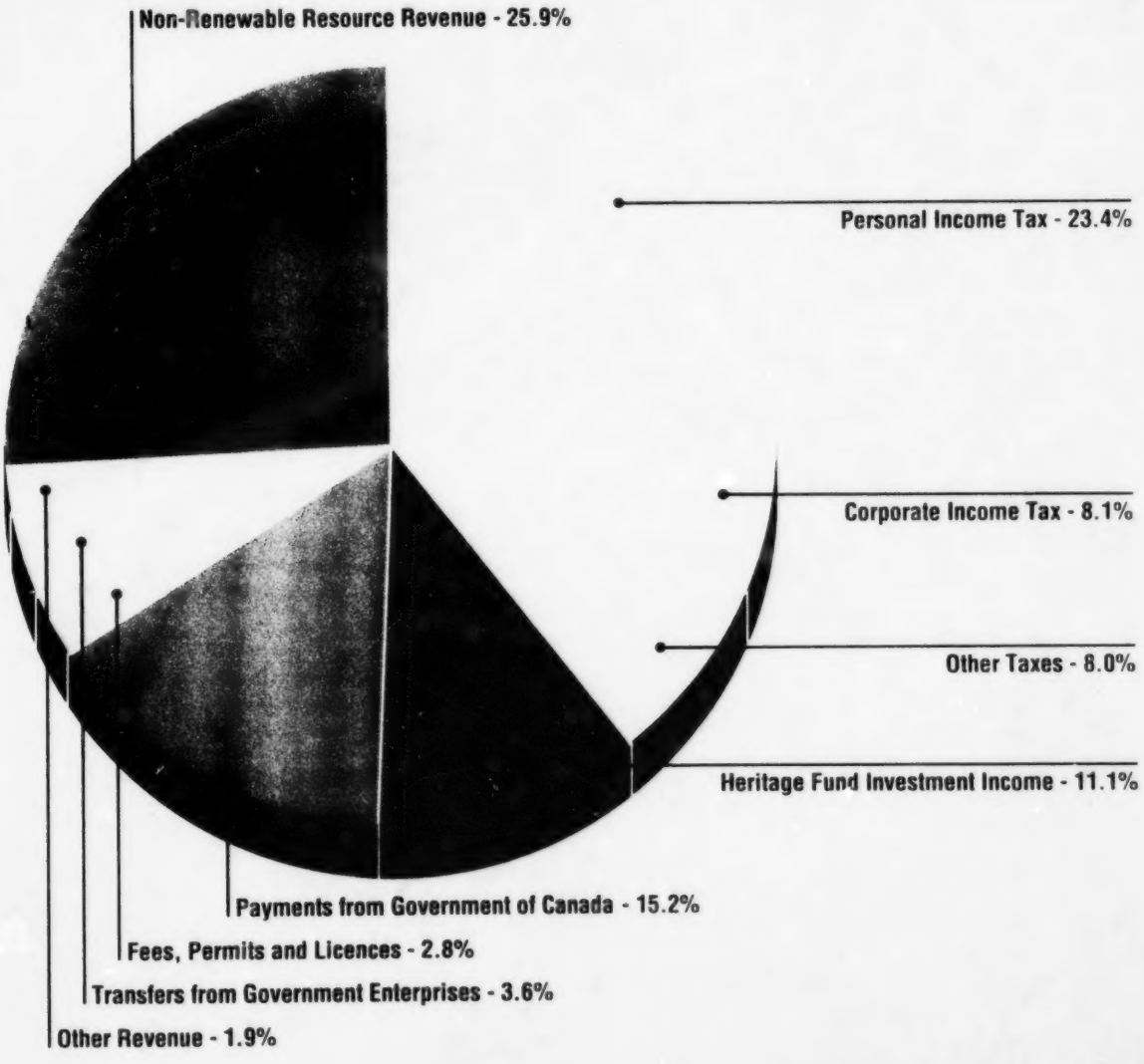
(thousands of dollars)

Table A2

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Taxes				
Personal income tax	2,670,000	2,530,000	2,326,000	2,039,011
Corporate income tax	925,000	725,000	650,000	597,568
Fuel tax	428,000	295,000	290,000	309,737
Tobacco tax	260,000	235,000	230,000	212,216
Freehold mineral rights tax	91,000	87,000	89,000	70,860
Insurance corporations tax	63,000	60,000	60,000	54,682
Financial institutions capital tax	40,000	—	—	—
Hotel room tax	26,000	24,000	23,000	22,014
Pari-mutuel tax	11,000	10,000	10,000	9,162
	4,514,000	3,966,000	3,678,000	3,315,250
Non-Renewable Resource Revenue				
Crude oil royalty	1,317,000	1,171,000	1,222,000	933,411
Natural gas and by-products royalty	1,256,000	1,088,000	1,104,000	988,705
Synthetic crude oil and bitumen royalty	47,000	26,000	26,000	18,980
Coal royalty	15,000	14,000	10,000	15,061
Bonuses and sales of Crown leases	515,000	395,000	525,000	449,541
Rentals and fees	107,000	79,000	79,000	77,027
Royalty tax credit	(300,000)	(350,000)	(350,000)	(397,398)
Allocation to Natural Gas Rebates Fund	(3,000)	(3,000)	(4,000)	(12,076)
Other	—	—	—	2,787
	2,954,000	2,420,000	2,612,000	2,076,038
Payments from Government of Canada				
Canada assistance plan	504,000	503,000	482,000	483,062
Hospital insurance	439,000	448,000	469,000	495,756
Post-secondary education	247,000	253,000	265,000	285,380
Extended health care	127,000	124,000	125,000	117,462
Stabilization	250,000	75,000	195,000	75,000
Training of manpower	32,000	30,000	30,000	27,107
Other	137,000	130,000	120,000	127,405
	1,736,000	1,563,000	1,686,000	1,611,172
Transfers from Government Enterprises				
Alberta Liquor Control Board	405,000	380,000	390,000	374,000
Other	8,000	18,000	17,000	11,621
	413,000	398,000	407,000	385,621
Fees, Permits and Licences				
Motor vehicle licences	155,000	128,000	125,000	121,303
Other	162,000	149,000	164,000	141,715
	317,000	277,000	289,000	263,018
Other Revenue				
Investment income	60,000	50,000	50,000	49,318
Refunds of expenditure	70,000	70,000	70,000	77,820
Miscellaneous	86,000	78,000	69,000	75,809
	216,000	198,000	189,000	202,947
Total General Revenue	10,150,000	8,822,000	8,861,000	7,854,046
Heritage Fund Investment Income	1,270,000	1,300,000	1,320,000	1,252,219
Total Budgetary Revenue	11,420,000	10,122,000	10,181,000	9,106,265

Budgetary Revenue By Major Source
1990-91 Estimate

Chart A2


Non-Renewable Resource Revenue - 25.9%
Personal Income Tax - 23.4%
Corporate Income Tax - 8.1%
Other Taxes - 8.0%
Heritage Fund Investment Income - 11.1%
Payments from Government of Canada - 15.2%
Fees, Permits and Licences - 2.8%
Transfers from Government Enterprises - 3.6%
Other Revenue - 1.9%

Total Budgetary Revenue - $11,420 Million

General Revenue Fund

Budgetary Expenditure

(thousands of dollars)

Table A3

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Legislative Assembly	33,934	33,608	34,826	34,655
Government				
Advanced Education	1,006,573	980,195	988,277	977,066
Agriculture	333,274	332,983	314,809	310,645
Attorney General	148,070	150,612	141,347	146,006
Career Development and Employment	163,042	172,454	180,354	174,142
Consumer and Corporate Affairs	20,047	19,055	19,248	16,229
Culture and Multiculturalism	48,027	48,156	47,531	46,468
Revolving fund	1	219	207	220
Economic Development and Trade	63,969	46,372	70,500	52,787
Education	1,459,489	1,391,461	1,386,375	1,284,251
Revolving fund	(578)	297	297	379
Energy	91,589	104,513	104,513	96,973
Environment	131,450	123,909	119,663	121,086
Water resources revolving fund	116	525	354	(271)
Executive Council	116,217	101,808	79,756	102,784
Family and Social Services	1,364,989	1,374,774	1,324,406	1,306,228
Federal and Intergovernmental Affairs	10,150	10,468	9,308	9,081
Forestry, Lands and Wildlife	171,031	189,776	165,258	179,706
Revolving fund	—	(9)	(9)	(133)
Health	3,130,377	2,972,183	2,950,683	2,704,468
Labour	40,191	38,210	37,936	36,376
Personnel Administration Office revolving fund	—	(23)	(23)	(34)
Municipal Affairs	665,251	672,508	690,843	597,403
Public Works, Supply and Services	516,496	493,176	491,533	521,282
Revolving fund	10,876	18,855	19,862	8,406
Recreation and Parks	89,110	91,544	93,118	99,287
Revolving fund	95	(9)	(9)	(56)
Solicitor General	272,594	260,567	259,517	242,019
Technology, Research and Telecommunications	72,264	64,238	60,628	63,478
Tourism	31,809	32,922	32,202	32,729
Revolving fund	(15)	—	—	—
Transportation and Utilities	878,013	899,070	890,905	837,053
Revolving funds	7,185	314	314	17,205
Treasury	157,183	274,484	174,282	161,453
Debt servicing costs	965,000	875,000	825,000	575,594
Other statutory appropriations	201,799	267,053	160,106	133,851
General allowance for lapsed appropriations	—	(91,000)	—	—
	12,165,684	11,916,660	11,639,091	10,854,161
Total Budgetary Expenditure	12,199,618	11,950,268	11,673,917	10,888,816
Summary				
Voted appropriations	11,015,139	10,788,046	10,667,818	10,153,655
Statutory appropriations	1,184,479	1,162,222	1,006,099	735,161
	12,199,618	11,950,268	11,673,917	10,888,816

General Revenue Fund

Operating and Capital Expenditure

(thousands of dollars)

Table A4

	1990-91 Estimate		
	Operating	Capital	Total
Legislative Assembly	33,145	789	33,934
Government			
Advanced Education	953,573	53,000	1,006,573
Agriculture	319,489	13,785	333,274
Attorney General	146,779	1,291	148,070
Career Development and Employment	161,952	1,090	163,042
Consumer and Corporate Affairs	19,758	289	20,047
Culture and Multiculturalism	47,253	774	48,027
Revolving fund	(9)	10	1
Economic Development and Trade	63,383	586	63,969
Education	1,390,269	69,220	1,459,489
Revolving fund	(1,314)	736	(578)
Energy	83,308	8,281	91,589
Environment	95,264	36,186	131,450
Water resources revolving fund	(539)	655	116
Executive Council	115,424	793	116,217
Family and Social Services	1,359,735	5,254	1,364,989
Federal and Intergovernmental Affairs	10,082	68	10,150
Forestry, Lands and Wildlife	166,762	4,269	171,031
Revolving fund	(100)	100	—
Health	3,101,261	29,116	3,130,377
Labour	39,301	890	40,191
Personnel Administration Office revolving fund	(5)	5	—
Municipal Affairs	648,139	17,112	665,251
Public Works, Supply and Services	321,726	194,770	516,496
Revolving fund	(19,610)	30,486	10,876
Recreation and Parks	65,552	23,558	89,110
Revolving fund	19	76	95
Solicitor General	272,020	574	272,594
Technology, Research and Telecommunications	60,118	12,146	72,264
Tourism	28,472	3,337	31,809
Revolving fund	(15)	—	(15)
Transportation and Utilities	194,344	683,669	878,013
Revolving funds	(2,815)	10,000	7,185
Treasury	156,541	642	157,183
Debt servicing costs	965,000	—	965,000
Other statutory appropriations	201,285	514	201,799
	10,962,402	1,203,282	12,165,684
Total	10,995,547	1,204,071	12,199,618
Summary			
Voted appropriations	9,853,650	1,161,489	11,015,139
Statutory appropriations	1,141,897	42,582	1,184,479
	10,995,547	1,204,071	12,199,618

General Revenue Fund

Non-Budgetary Transactions

(excluding debt transactions, thousands of dollars)

Table A5

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Receipts				
Repayment of loans and advances				
Government entities	107,200	108,000	73,520	93,530
Other	7,897	11,347	16,625	13,958
Long-term investments	—	—	—	26,589
	115,097	119,347	90,145	134,077
Disbursements				
Loans and advances				
Government entities	124,800	126,700	110,800	116,342
Other	107,100	126,200	114,400	110,403
Long-term investments	6,732	18,371	20,778	88,062
	238,632	271,271	245,978	314,807
Net Non-Budgetary Transactions	123,535	151,924	155,833	180,730

General Revenue Fund and Capital Fund

Net Cash Requirements

(thousands of dollars)

Table A6

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
General Revenue Fund				
Budgetary deficit	779,618	1,828,268	1,492,917	1,782,551
Net non-budgetary transactions	123,535	151,924	155,833	180,730
Sinking fund requirements	18,000	17,400	17,400	17,290
Adjustments to cash basis	(207,153)	(254,592)	(193,750)	(177,064)
	714,000	1,743,000	1,472,400	1,803,507
Capital Fund				
Net capital expenditure	265,380	287,484	259,363	249,469
Adjustments to cash basis	—	(23,484)	(27,700)	(15,560)
	265,380	264,000	231,663	233,909
Net Cash Requirements	979,380	2,007,000	1,704,063	2,037,416

General Revenue Fund

Unmatured Debt

(thousands of dollars)

Table A7

Changes in Unmatured Debt		
Unmatured debt at March 31, 1989		5,871,092
Add:		
Issue of:		
Canadian dollar promissory notes	1,181,818	
Alberta Capital Bonds	243,523	
Canadian dollar debentures	296,400	
United States dollar 7-year notes	872,400	
Amortization of discount and other non-cash items	156,922	
	2,751,063	
Deduct:		
Redemption of:		
Alberta Treasury bills (net)	57,698	
Alberta Capital Bonds	173,359	
United States dollar promissory notes (net)	194,624	
Sinking fund earnings	10,403	
Sinking fund contribution	3,584	
	439,668	
		2,311,395
Unmatured debt at December 31, 1989 (unaudited)		8,182,487
Composition of Unmatured Debt		
Short-Term Debt		
Treasury bills		650,000
Canadian dollar promissory notes		
Held by Heritage Fund		887,000
Other		952,785
United States dollar promissory notes		184,214
		2,673,999
Medium and Long-Term Debt		
Denominated in Canadian dollars		
Alberta Capital Bonds		102,842
Debentures (net of sinking funds)		2,743,540
Denominated in United States dollars		
Floating rate notes		578,900
Debentures (net of sinking funds) and fixed rate notes		2,027,286
		5,452,568
Deferred unrealized exchange gains less unamortized discount		55,920
Unmatured debt at December 31, 1989 (unaudited)		8,182,487

General Revenue Fund

Guarantees

(excluding government entities, thousands of dollars)

Table A8

	At December 31	At March 31	
	1989[a]	1989	1988
Guaranteed Debentures			
AEC Power Ltd.	193,420	202,353	218,000
Vencap Equities Alberta Ltd.	40,000	40,000	40,000
Chembiomed Ltd.	12,500	12,500	12,500
	245,920	254,853	270,500
Guaranteed Loans			
Farm Credit Stability Fund Act	782,447	688,273	386,615
Small Business Term Assistance Fund Act	245,980	260,307	172,450
Weldwood of Canada Limited	151,594	133,440	—
Students Loan Guarantee Act	116,289	121,345	116,616
354713 Alberta Ltd.	100,600	98,300	90,983
Magnesium Company of Canada Ltd.	88,200	22,000	—
Gainers Properties Inc.	55,938	58,872	55,000
Alberta Newsprint Funding Corporation	45,600	—	—
Export program	37,655	34,307	19,308
Alberta Family First-Home Program	34,201	—	—
Slave Lake Pulp Partnership	32,000	—	—
Agricultural Societies Act	31,669	33,478	35,828
Feeder associations	25,188	23,093	23,661
Lakeside Centennial Corporation	15,000	15,000	—
Fletcher's Fine Foods Ltd.	12,736	12,953	—
397706 Alberta Ltd.	12,000	—	—
Ribbon Creek Alpine Village	10,263	9,750	11,000
Intera Radar Service Ltd.	10,000	10,000	—
General Systems Research Inc.	8,300	8,167	—
Alberta-Pacific Terminals Ltd.	8,271	7,022	5,096
Gainers Inc.[b]	7,072	—	—
Other	73,909	72,226	77,650
	1,904,912	1,608,533	994,207
Total Guarantees	2,150,832	1,863,386	1,264,707

[a] Unaudited

[b] Pursuant to an Order in Council dated October 12, 1989

General Revenue Fund

Reported Assets, Liabilities and Net Debt

(thousands of dollars)

Table A9

	At March 31	
	1989	1988
Assets		
Cash and marketable securities	127,317	184,008
Accounts receivable	565,231	506,565
Long-term investments	153,905	113,877
Loans and advances to government entities	353,923	345,314
Other loans and advances	138,635	103,094
	1,339,011	1,252,858
Liabilities and Net Debt		
Liabilities		
Accounts and loans payable	788,686	715,013
Unearned revenue and suspense	28,341	25,406
Unmatured debt	5,871,092	4,078,996
	6,688,119	4,819,415
Net Debt		
Net debt at beginning of year	3,566,557	2,633,676
Budgetary deficit	1,782,551	932,881
Net debt at end of year	5,349,108	3,566,557
	1,339,011	1,252,858

Province of Alberta

Selected Financial and Economic Statistics

Table A10

Financial Statistics [a] (millions of dollars)	Fiscal Years 1989-90	1988-89	1987-88	1986-87	1985-86
General Revenue Fund					
Budgetary revenue	10,122	9,106	9,466	7,168	9,873
Budgetary expenditure	11,950	10,889	10,399	10,609	10,331
Budgetary deficit	1,828	1,783	933	3,441	458

Economic Statistics	Calendar Years 1989	1988	1987	1986	1985
Gross Domestic Product [b]					
Nominal (millions of dollars)	66,875	62,801	58,993	56,534	63,483
Per cent change	6.5	6.5	4.3	(10.9)	7.0
Real (millions of 1981 dollars)	59,350	58,185	53,623	52,110	51,641
Per cent change	2.0	8.5	2.9	0.9	4.2
Population and Employment					
Population (000's)	2,429	2,395	2,378	2,375	2,349
Employment (000's)	1,214	1,187	1,147	1,142	1,124
Unemployment rate (per cent)	7.2	8.0	9.6	9.8	10.0
Prices					
Consumer price index (per cent)	4.2	2.8	4.0	3.5	2.9
Oil price (WTI US$/bbl)	19.66	15.98	19.17	15.05	28.00
Natural gas price ($/mcf at wellhead)	1.64	1.64	1.71	2.19	2.70
Exchange rate (US¢/Can$)	84.5	81.3	75.4	72.0	73.3

[a] Forecast for 1989-90
[b] Forecast for 1989

APPENDIX

B

Tables and Charts

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The Alberta Heritage Savings Trust Fund's net income, estimated at $1,270 million in 1990-91, will continue to be transferred to the General Revenue Fund to help pay for Alberta's high quality programs. Including the 1990-91 income, approximately $12.2 billion will have been transferred to the province's budgetary revenue since September 1982. Prior to that date, all investment earnings of the Heritage Fund were retained and reinvested in the Fund. Since 1987-88, all non-renewable resource revenue has been retained in the General Revenue Fund to help reduce the budgetary deficit.

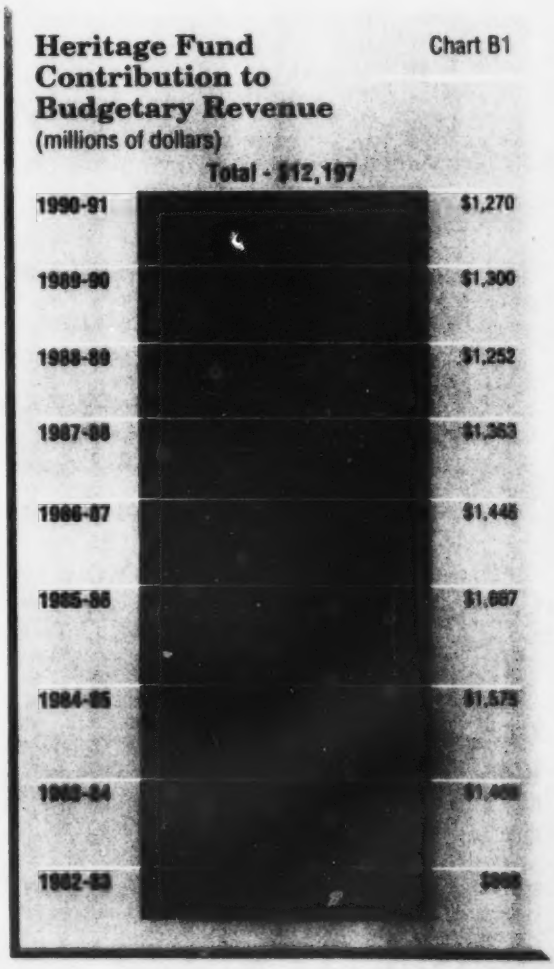
In 1990-91, the Heritage Fund will invest in two major projects to develop further the resource sector. During the year, $104 million will be invested in the Lloydminster Bi-provincial Upgrader as part of the province's participating interest in the $1.27 billion project. The total commitment of the provincial government to the upgrader is $305 million. The Heritage Fund will also invest $5 million to continue engineering work on the OSLO oil sands project near Fort McMurray as part of the province's equity participation in the project.

The Heritage Fund will also be investing a total of $171 million in three of Alberta's Crown corporations in 1990-91. A total of $40 million will be invested in Alberta Agricultural Development Corporation to help foster a profitable agrifood sector in Alberta. Alberta Mortgage and Housing Corporation will receive an investment of $103 million from the Heritage Fund in 1990-91 to provide affordable housing for senior citizens, the hard-to-house and low income families. In addition, the Heritage Fund will invest $28 million in Alberta Opportunity Company to provide loans to small Alberta businesses. Repayments and maturities of investments in provincial Crown corporations in previous years will total $298.5 million.

Capital Projects Division estimates total $159 million in 1990-91 and will support 14 capital projects. Two new projects will commence in 1990-91. Grazing reserves will be enhanced and the Pine Ridge Reforestation Nursery will be expanded and upgraded, including the addition of a seedling container facility.

Heritage Fund Contribution to Budgetary Revenue Chart B1

(millions of dollars)



Alberta Heritage Savings Trust Fund

Sources and Applications of Funds

(thousands of dollars)

Table B1

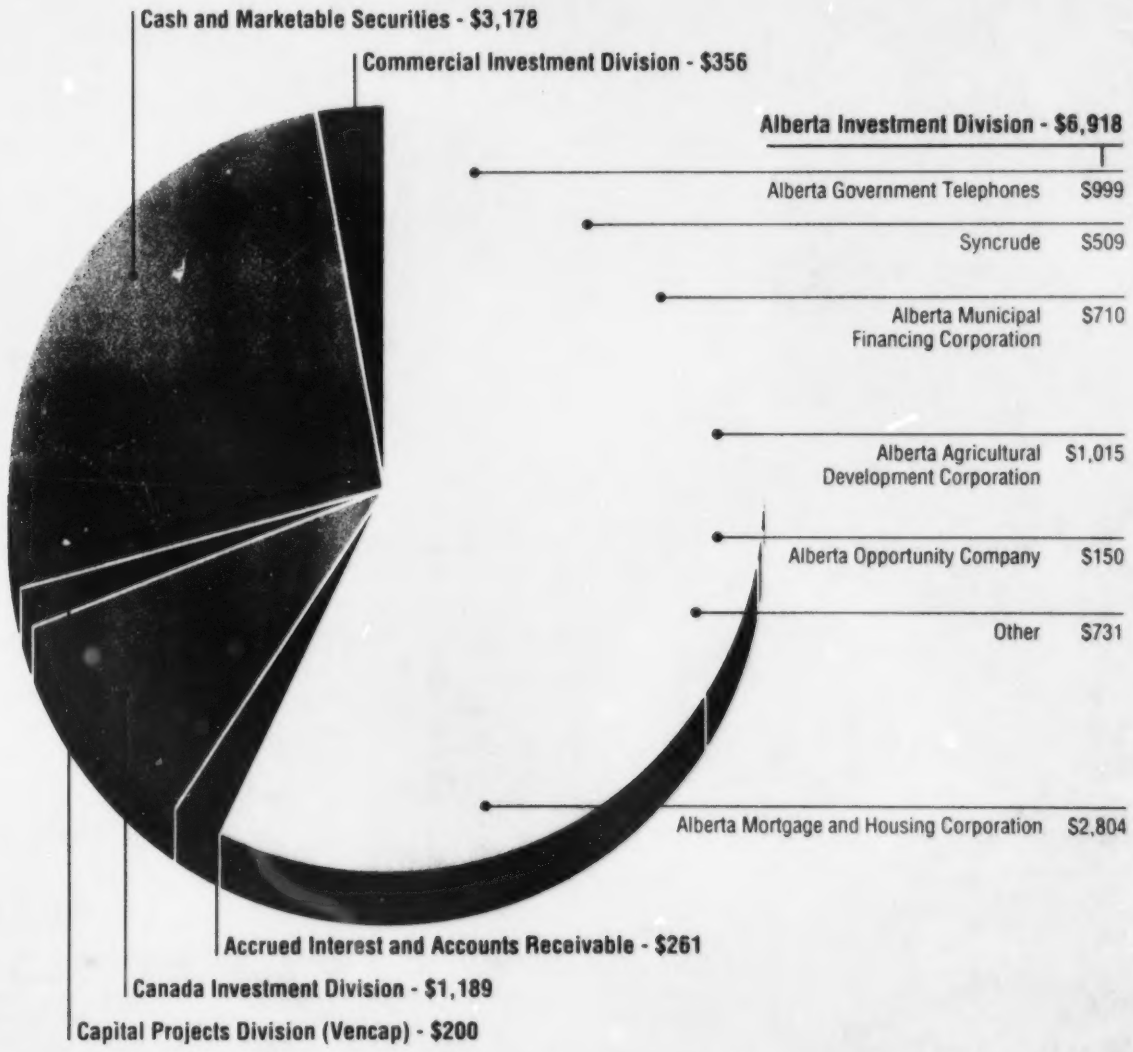
	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Sources of Funds				
Repayments, Maturities and Disposals[a]				
Alberta Investment Division				
Alberta Agricultural Development Corporation	36,100	34,200	34,400	30,540
Alberta Mortgage and Housing Corporation	227,300	285,200	235,100	220,671
Alberta Opportunity Company	35,100	38,200	41,200	86,000
Alberta Municipal Financing Corporation	—	70,000	70,000	45,000
Alberta Government Telephones	—	100,000	100,000	—
Total provincial Crown corporations	298,500	527,600	480,700	382,211
Other Alberta Investment Division Investments	14,500	153,500	158,000	53,445
	313,000	681,100	638,700	435,656
Canada Investment Division	118,300	83,300	83,300	83,300
Energy Investment and Capital Projects Divisions	1	1	1	1,251
	431,301	764,401	722,001	520,207
Provision for non-cash items and administrative expenses	12,500	11,200	27,900	17,835
Net investment income	1,270,000	1,300,000	1,320,000	1,253,166
Transfer of net income to the General Revenue Fund	(1,270,000)	(1,300,000)	(1,320,000)	(1,252,219)
	443,801	775,601	749,901	538,989
Applications of Funds				
Capital Projects Division	158,978	137,515	141,238	155,010
Alberta Investment Division				
Alberta Agricultural Development Corporation	40,000	12,000	42,000	47,000
Alberta Mortgage and Housing Corporation	103,000	80,000	115,000	76,000
Alberta Opportunity Company	28,000	32,500	39,000	85,000
Total provincial Crown corporations	171,000	124,500	196,000	208,000
Millar Western Pulp Ltd.	—	—	—	69,307
Syncrude	(1,600)	(1,800)	27,980	3,019
Alberta Energy Company Ltd.	7,000	41,900	—	30,000
NOVA Corporation of Alberta Ltd.	—	24,500	—	—
Lloydminster Bi-provincial Upgrader	104,000	38,900	38,900	2,417
OSLO oil sands project	5,000	6,800	6,800	—
	285,400	234,800	269,680	312,743
Commercial Investment Division	35,000	34,000	34,000	23,796
Increase (Decrease) in Cash and Marketable Securities at cost	(35,577)	369,286	304,983	47,440
	443,801	775,601	749,901	538,989

[a] Excludes Marketable Securities.

Heritage Fund Financial Assets at March 31, 1991

(millions of dollars, estimate)

Chart B2


Cash and Marketable Securities - $3,178
Commercial Investment Division - $356
Alberta Investment Division - $6,918
Alberta Government Telephones $999
Syncrude $509
Alberta Municipal Financing Corporation $710
Alberta Agricultural Development Corporation $1,015
Alberta Opportunity Company $150
Other $731
Alberta Mortgage and Housing Corporation $2,804
Accrued Interest and Accounts Receivable - $261
Canada Investment Division - $1,189
Capital Projects Division (Vencap) - $200

Total Financial Assets - $12,102 Million

Alberta Heritage Savings Trust Fund

Capital Projects Division

(thousands of dollars)

Table B2

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Advanced Education				
Clinical Research Building	—	3,532	3,532	14,100
Agriculture				
Farming for the Future	5,000	4,933	5,000	4,770
Irrigation rehabilitation and expansion	25,000	24,914	25,000	24,991
Private irrigation water supply	3,068	307	1,800	—
Energy				
Alberta Oil Sands Technology and Research Authority	—	5,151	5,151	9,900
Renewable energy research	1,000	75	500	—
Environment				
Irrigation headworks and main irrigation systems improvement	40,400	39,255	39,837	34,159
Land reclamation	2,500	2,480	2,480	1,724
Executive Council				
Occupational health and safety research and education	1,218	1,380	1,380	1,235
Forestry, Lands and Wildlife				
Grazing reserves enhancement	1,392	—	—	—
Pine Ridge Reforestation Nursery enhancement	3,100	—	—	—
Health				
Applied cancer research	2,800	2,800	2,800	2,397
Public Works, Supply and Services				
Capital City Recreation Park	800	780	800	364
Walter C. Mackenzie Health Sciences Centre	—	1,600	1,600	2,400
Recreation and Parks				
Kananaskis Country recreation development	—	—	—	455
Municipal recreation/tourism areas	2,825	3,000	4,000	2,000
Urban park development	3,150	950	1,000	—
Technology, Research and Telecommunications				
Individual line service	66,725	46,358	46,358	56,991
Refunds of expenditure	—	—	—	(476)
Total	158,978	137,515	141,238	155,010

APPENDIX

C

Tables

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C2 Alberta Capital Fund, Unmatured Debt 52
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C6 Small Business Term Assistance Fund, Unmatured Debt 55

This appendix provides information on the Alberta Capital Fund and the funds established for the operation of the Alberta Farm Credit Stability Program and the Alberta Small Business Term Assistance Plan.

Alberta Capital Fund

The Alberta Capital Fund was established in 1986 to enable the province to pay the construction costs of major public facilities over their useful lives. The Capital Fund borrows the amount required to finance approved construction projects and receives annual departmental appropriations from the General Revenue Fund to fund the repayment of principal over time. The interest costs of the borrowings are included in the General Revenue Fund statutory appropriation for debt servicing costs and are estimated at $125 million in 1990-91.

Capital Fund expenditure in 1989-90 is forecast to be about $30 million above the 1989-90 budget estimate of $306 million due to some approved projects being ahead of schedule. At December 31, 1989, the Capital Fund had unmatured debt of $906 million, $881 million of which was owed to the holders of 1987, 1988 and 1989 Alberta Capital Bonds.

In 1990-91, the Capital Fund will spend an estimated $324 million on hospitals, nursing homes, post-secondary education facilities, water development projects and museums. Details of the projects to be funded can be found in the "1990-91 Capital Fund Estimates" and the "1990-91 Government Estimates and Capital Fund Estimates, Supplementary Information — Element Details".

Alberta Capital Fund
Sources and Applications of Funds
(thousands of dollars)

Table C1

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Sources of Funds				
Grants from the General Revenue Fund				
Voted appropriations for principal repayment	58,971	48,428	46,565	33,475
Statutory appropriation for interest payments	125,000	102,000	95,000	56,236
Increase in debt	265,380	261,984	231,663	198,172
	449,351	412,412	373,228	287,883
Applications of Funds				
Capital Expenditure				
Hospitals and nursing homes	135,272	146,577	105,577	150,112
Post-secondary education facilities	70,215	82,720	93,736	63,816
Water development and other projects	118,864	106,615	106,615	69,016
	324,351	335,912	305,928	282,944
Debt servicing costs	125,000	102,000	95,000	56,236
Decrease in financial assets	—	(25,500)	(27,700)	(51,297)
	449,351	412,412	373,228	287,883

Alberta Capital Fund
Unmatured Debt
(thousands of dollars)

Table C2

Changes in Unmatured Debt		
Unmatured debt at March 31, 1989		696,823
Add:		
Issue of:		
Alberta Capital Bonds	342,529	
Promissory notes (net)	23,870	
Amortization of discount	3,278	
	369,677	
Deduct:		
Redemption of Alberta Capital Bonds	160,860	
		208,817
Unmatured debt at December 31, 1989 (unaudited)		905,640
Composition of Unmatured Debt		
Alberta Capital Bonds		881,109
Promissory notes issued to the Heritage Fund (Cash and Marketable Securities)		24,531
Unmatured debt at December 31, 1989 (unaudited)		905,640

Alberta Farm Credit Stability Program

The Alberta Farm Credit Stability Program was established in 1986 to facilitate the provision of long-term financing to Alberta farmers at a fixed 9% annual rate of interest for a maximum term of 20 years. In March 1989, the limit on program loans was increased from $200,000 to $250,000 per farm family and from $600,000 to $750,000 per farm business. In July 1989, the program funding commitment was increased by $500 million and loan availability was extended to June 30, 1991, or until $2,500 million has been loaned, whichever is earlier.

Cumulative loan advances reached $2,055 million by December 31, 1989, and are forecast to be about $2,150 million by March 31, 1990. The average farm loan has been about $84,000, with 75% of the loans taken for a term of 20 years. To date, 65% of the loans have been used for refinancing and 35% for new purchases. At December 31, 1989, $1,768 million of program loans were outstanding.

The province maintains deposits with participating financial institutions equal to the amount of program loans they have outstanding. At the end of December 1989, 64% of the financing for the program was medium and long-term and the remaining 36% was in the form of short-term promissory notes issued to the Heritage Fund.

The 1990-91 statutory appropriation from the General Revenue Fund to cover the payments made to the lending institutions for their administrative costs, and the difference between the cost of borrowed funds and the interest earned on deposits of the Farm Credit Stability Program is estimated at $64 million. The 1989-90 statutory appropriation is forecast to exceed the 1989-90 estimate by $33 million due to higher loan take-up reflecting program eligibility enhancements, and higher administration fees and financing costs.

Farm Credit Stability Fund

Sources and Applications of Funds

(thousands of dollars)

Table C3

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Sources of Funds				
Statutory appropriation from the General Revenue Fund	64,000	67,000	34,000	25,775
Increase in debt	180,000	340,000	217,000	99,478
	244,000	407,000	251,000	125,253
Applications of Funds				
Operating deficit before statutory appropriation	64,000	67,000	34,000	25,775
Deposits with financial institutions	180,000	340,000	217,000	121,755
Decrease in other financial assets	—	—	—	(22,277)
	244,000	407,000	251,000	125,253

Farm Credit Stability Fund

Unmatured Debt

(thousands of dollars)

Table C4

Changes in Unmatured Debt		
Unmatured debt at March 31, 1989		1,496,790
Add:		
Issue of short-term promissory notes (net) to the Heritage Fund (Cash and Marketable Securities)	268,118	
Amortization of discount and other non-cash items	50,029	
		318,147
Unmatured debt at December 31, 1989 (unaudited)		1,814,937
Composition of Unmatured Debt		
Promissory notes issued to the Heritage Fund (Cash and Marketable Securities)		649,539
U.S. dollar fixed rate notes		786,399
Swiss franc bonds		378,999
Unmatured debt at December 31, 1989 (unaudited)		1,814,937

Alberta Small Business Term Assistance Plan

The Alberta Small Business Term Assistance Plan was established in 1986 to make long-term fixed interest rate financing available to Alberta small businesses. Loans totalling about $640 million were made under the program at a fixed 9% annual rate of interest for a maximum term of 10 years. Loans of up to $150,000 per small business were available for refinancing existing debt, making new purchases or extending lines of credit. The average loan size was about $80,000, with 36% of the loans taken for 3 to 6 years and 58% for 10 years. 72% of the loans were used for refinancing and the remainder for new purchases and extending lines of credit. At December 31, 1989, about $329 million of program loans were outstanding.

The province maintains deposits with participating financial institutions equal to the amount of program loans they have outstanding. These deposits have been financed with medium-term borrowing.

The 1990-91 statutory appropriation from the General Revenue Fund to cover the payments made to the lending institutions for their administrative costs, and the difference between the cost of borrowed funds and the interest earned on deposits of the Alberta Small Business Term Assistance Plan is estimated at $7.5 million.

Small Business Term Assistance Fund

Sources and Applications of Funds

(thousands of dollars)

Table C5

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Sources of Funds				
Statutory appropriation from the General Revenue Fund	7,500	6,300	6,000	9,804
Repayments of deposits by financial institutions	84,000	94,000	105,500	108,543
	91,500	100,300	111,500	118,347
Applications of Funds				
Operating deficit before statutory appropriation	7,500	6,300	6,000	9,804
Decrease in debt	10,000	140,000	150,000	60,000
Increase (Decrease) in other financial assets	74,000	(46,000)	(44,500)	48,543
	91,500	100,300	111,500	118,347

Small Business Term Assistance Fund

Unmatured Debt

(thousands of dollars)

Table C6

Changes in Unmatured Debt		
Unmatured debt at March 31, 1989		423,277
Add:		
Amortization of discount	518	
Deduct:		
Redemption of promissory notes held by the Heritage Fund (Alberta Investment Division)	75,000	
		(74,482)
Unmatured debt at December 31, 1989 (unaudited)		348,795
Composition of Unmatured Debt		
Promissory notes issued to the Heritage Fund (Alberta Investment Division)		75,000
U.S. dollar fixed rate notes		273,795
Unmatured debt at December 31, 1989 (unaudited)		348,795

APPENDIX D

Provincial Crown Corporations

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D4	Alberta Mortgage and Housing Corporation Program Financing	63
D5	Alberta Opportunity Company	65
D6	Alberta Municipal Financing Corporation	67

This appendix provides details of the 1990-91 capital budgets and financing requirements of four major provincial Crown corporations: Alberta Agricultural Development Corporation, Alberta Mortgage and Housing Corporation, Alberta Opportunity Company and Alberta Municipal Financing Corporation.

Approval of the Legislative Assembly will be sought to allow the Alberta Heritage Savings Trust Fund to invest in debt securities to be issued by the Alberta Agricultural Development Corporation, the Alberta Mortgage and Housing Corporation and the Alberta Opportunity Company. As in previous years, these corporations will borrow from the Heritage Fund at prevailing market rates of interest.

These three corporations provide loans and other programs to their clients. Certain loans are made at rates which are below the corporations' cost of funds in order to meet government objectives. The clients are responsible for payment of interest and principal on these loans.

The General Revenue Fund pays for the costs associated with the programs offered by the provincial Crown corporations. These costs include administrative costs, interest rate subsidies and incentives, and the cost of losses on loans. Details of the support provided by the General Revenue Fund can be found in the "1990-91 Government Estimates".

The Alberta Municipal Financing Corporation is expected to meet its capital financing requirements from internal sources.

Heritage Fund Investment in Provincial Crown Corporations (Alberta Investment Division)

Table 01

(thousands of dollars)

	Balance at March 31, 1991 Estimate	1990-91 Investments Estimate	1990-91 Repayments Estimate	Balance at March 31, 1990 Forecast
Alberta Agricultural Development Corporation	1,014,600	40,000	36,100	1,010,700
Alberta Mortgage and Housing Corporation	2,804,000	103,000	227,300	2,928,300
Alberta Opportunity Company	150,200	28,000	35,100	157,300
Alberta Municipal Financing Corporation	710,000	—	—	710,000
Alberta Government Telephones Commission	998,900	—	—	998,900
Total	5,677,700	171,000	298,500	5,805,200

The Alberta Agricultural Development Corporation provides loans, loan guarantees and financial counselling to farmers and agribusinesses in order to foster a sustainable, profitable agrifood sector in Alberta. Programs and services are designed to assist family-owned farm businesses develop as profitable, self-supporting enterprises; and to promote value-added processing, the agricultural service sector and other diversification opportunities.

During 1990-91, the corporation estimates that it will extend $95 million in direct loans to agricultural producers and agribusinesses. Direct loans are made at preferred rates of interest and some borrowers are also eligible for interest incentives.

The Beginning Farmer program, which includes loans and incentive rebates to individuals whose farms are in an early phase of development, is the corporation's largest program. Loans under this program are expected to total $76 million in 1990-91, while other direct farm and agribusiness loans are estimated to amount to $19 million. In addition, the corporation estimates that it will provide $102.9 million in loan guarantees to farmers and agribusinesses.

Since 1988, the corporation has offered the Indexed Deferral Plan to its farm borrowers. Under the plan, borrowers may link their loan payments to commodity prices. Cumulative payments of over $30 million are expected to have been deferred interest-free under this plan by the end of 1990-91.

In 1990, the corporation will introduce a Vendor Mortgage plan. This plan will encourage farmers who are selling their land to continue their involvement with agriculture by providing some of the financing for the purchaser. It will also provide another financing mechanism to facilitate the intergenerational transfer of land and help keep the family on the farm.

To finance the corporation's activities, the Legislative Assembly will be requested to approve a further investment by the Alberta Heritage Savings Trust Fund of up to $40 million in debentures of the corporation in 1990-91.

In order to provide incentive rebates and interest shielding to the corporation's borrowers and to cover operating expenses and loan losses in 1990-91, approval will also be sought for a budgetary appropriation of $77.7 million through the Department of Agriculture.

Alberta Agricultural Development Corporation

(thousands of dollars)

Table D2

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Programs				
Direct Lending				
Beginning Farmer loans	76,000	82,000	79,900	65,800
Developing Farmer loans	1,000	1,000	7,100	3,600
Vendor Mortgage plan	10,000	—	—	—
Agribusiness loans	8,000	7,000	3,000	1,400
	95,000	90,000	90,000	70,800
Loan Guarantees				
General Guarantee Agreements				
Alberta Farm Development loans	90,000	83,000	80,000	82,000
Modified Farm Development loans	—	3,000	3,000	2,500
Specific Guarantee Agreements				
Farm loans	3,850	3,140	4,230	1,780
Agribusiness loans	9,000	5,000	5,000	1,600
	102,850	94,140	92,230	87,880
Total Programs	197,850	184,140	182,230	158,680
Financing				
Sources of Funds				
Grant from the General Revenue Fund	77,682	94,315	94,315	71,052
Debenture borrowing from the Heritage Fund	40,000	12,000	42,000	47,000
Principal repayment on loans	32,400	28,300	33,800	26,191
Interest payments on loans	83,300	81,600	83,200	83,345
Property sales	17,700	33,300	25,900	22,010
Decrease (Increase) in cash	2,818	19,085	(12,200)	(17,404)
	253,900	268,600	267,015	232,194
Applications of Funds				
Principal repayment on debentures	36,100	34,200	34,400	30,540
Interest expense on debentures	106,500	109,800	111,000	109,962
Lending programs	88,700	101,300	98,000	70,913
Farm loan incentives	11,800	13,000	13,300	10,890
Administrative costs	10,800	10,300	10,315	9,889
	253,900	268,600	267,015	232,194

Alberta Mortgage and Housing Corporation

The Alberta Mortgage and Housing Corporation's programs involve the construction of subsidized rental housing units for senior citizens, low to middle income Albertans and people with special needs; and the provision of mortgage financing primarily for the sale of corporation-owned properties.

The Special Purpose Housing Program will provide $3.8 million to finance 50 units for Albertans with mental and physical disabilities, young offenders, and those who are victims of family violence or have other special housing needs. The corporation also expects to insure mortgages made available by private lenders on 1,930 mobile homes.

Mortgage financing will be provided to facilitate the sale of up to 700 corporation-owned Alberta Family Home Purchase Program units and Modest Apartment Program units. Funds will also be committed for up to 190 housing units under the Rural and Native Housing Program.

Through its land and housing construction programs, the corporation is expected to make commitments of $23.7 million for 100 senior citizens' self-contained units, 120 senior citizens' lodge units and 45 community housing units.

To finance the corporation's capital activities, the Legislative Assembly will be requested to approve a further investment by the Alberta Heritage Savings Trust Fund of up to $103 million in debentures of the corporation.

In addition to its capital funding for 1990-91, approval will be sought for a budgetary appropriation of $170 million through the Department of Municipal Affairs to meet subsidy and operating costs of social housing and assisted mortgage programs and to pay for loan losses. The corporation's programs help make housing affordable for thousands of Albertans.

Alberta Mortgage and Housing Corporation Program Commitments

(number of units)

Table D3

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Mortgage Lending Division				
Alberta Family Home Purchase	300	410	600	426
Modest Apartment	400	142	250	12
Rural and Native Housing	190	174	190	206
Special Purpose Housing	50	100	50	108
Mobile home park (stalls)	—	50	150	—
Mortgage insurance-mobile homes	1,930	1,720	1,400	1,243
	2,870	2,596	2,640	1,995
Land and Housing Division				
Senior Citizen Self-Contained	100	190	230	135
Senior Citizen Lodges	120	200	170	—
Community Housing	45	143	260	120
Rent supplement	275	629	700	548
Staff Housing	—	5	5	1
	540	1,167	1,365	804
Total Programs	3,410	3,763	4,005	2,799

Alberta Mortgage and Housing Corporation
Program Financing

Table D4

(thousands of dollars)

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Programs				
Mortgage Lending Division				
Alberta Family Home Purchase	15,600	20,300	28,000	19,300
Modest Apartment	11,100	3,700	7,500	200
Rural and Native Housing	14,100	12,900	11,900	14,100
Special Purpose Housing	3,800	7,500	2,000	5,191
Mobile home park (stalls)	—	300	2,200	—
	44,600	44,700	51,600	38,791
Land and Housing Division				
Senior Citizen Self-Contained	6,900	13,100	15,900	9,300
Senior Citizen Lodges	13,400	17,000	15,200	—
Community Housing	3,400	4,700	4,500	—
Staff Housing	—	400	400	100
Residential land	3,200	3,700	4,100	1,300
Industrial land	100	100	100	—
	27,000	39,000	40,200	10,700
Total Programs	71,600	83,700	91,800	49,491
Financing				
Sources of Funds				
Grant from the General Revenue Fund	170,000	200,564	200,582	169,615
Debenture borrowing from the Heritage Fund	103,000	80,000	115,000	76,000
Promissory notes	14,700	(3,100)	25,700	(6,336)
Mortgage Insurance Fund	—	—	—	26,000
Principal repayments on loans	97,300	168,500	122,800	89,966
Property sales	56,000	59,000	33,500	69,123
	441,000	504,964	497,582	424,368
Applications of Funds				
Repayment of advance from the General Revenue Fund	12,200	17,500	3,500	11,778
Debenture repayments	228,200	286,100	236,000	233,111
Capital programs	68,900	52,200	92,600	38,377
Mortgage Lending operating costs	36,300	46,300	65,700	55,619
Land and Housing operating costs	86,400	92,000	91,500	78,492
Administrative support	9,000	10,864	8,282	6,991
	441,000	504,964	497,582	424,368

Alberta Opportunity Company

The Alberta Opportunity Company provides loans, loan guarantees, venture and seed funding and financial guidance to small businesses throughout the province in order to promote the growth and diversification of the provincial economy. Under its direct lending program, the company provides alternative financing to Alberta businesses which are unable to obtain funding on reasonable terms and conditions elsewhere, with priority given to businesses located outside the major centres.

In 1990-91, the company expects to make $40 million in direct loans and loan guarantees to Alberta small businesses and will provide $15 million in venture or patient capital financing to high technology enterprises. The company will also provide $3 million of seed capital for activities such as market research, business planning and prototype development.

To finance the company's direct lending activity, the Legislative Assembly will be requested to approve a further investment by the Alberta Heritage Savings Trust Fund of up to $28 million in debentures of the company. As well, the Legislative Assembly will be asked to approve an $18 million loan from the General Revenue Fund through the Department of Economic Development and Trade to the company to finance its seed and venture financing programs.

Approval will be sought for a budgetary appropriation of $26.5 million from the Department of Economic Development and Trade in 1990-91. These funds will enable the company to deliver its lending programs to its clients at less than full cost.

Alberta Opportunity Company

(thousands of dollars)

Table D5

	1990-91 Estimate	1989-90 Forecast	1989-90 Estimate	1988-89 Actual
Programs				
Direct lending	38,000	33,000	38,000	25,000
Venture financing	15,000	10,500	15,000	9,200
Seed Capital financing	3,000	1,500	3,000	—
Loan guarantees	2,000	500	2,000	300
Total Programs	58,000	45,500	58,000	34,500
Financing				
Sources of Funds				
Grant from the General Revenue Fund	26,450	11,000	11,000	11,869
Loan from the General Revenue Fund	18,000	27,000	33,000	—
Debenture borrowing from the Heritage Fund	28,000	32,500	39,000	85,000
Principal repayments on loans	25,800	26,400	24,600	33,575
Interest payments on loans	16,000	14,100	13,600	14,284
Decrease in cash balances	2,900	300	1,500	2,573
	117,150	111,300	122,700	147,301
Applications of Funds				
Debenture repayments	35,100	38,200	41,200	86,000
Interest expense on debentures	17,200	16,800	16,800	15,801
Administrative costs	8,450	8,600	7,600	7,500
Capital programs	56,400	47,700	57,100	38,000
	117,150	111,300	122,700	147,301

Alberta Municipal Financing Corporation

The Alberta Municipal Financing Corporation makes loans to municipalities, school districts and hospital boards at lower interest rates than would be available to them on an independent basis in the capital market.

In the 1990 calendar year, the corporation expects to lend $400 million to Alberta municipalities, school districts and hospital boards, compared to $425 million in 1989. This 1990 lending activity will be financed from internal sources.

Approval will be sought for a $48.3 million budgetary appropriation from the Department of Municipal Affairs to fund the Municipal Debenture Interest Rebate Program which provides municipalities with grants to reduce interest costs on their loans.

Alberta Municipal Financing Corporation

(thousands of dollars)

Table D6

	1990 Estimate	1989 Actual	1989 Estimate	1988 Actual
Programs				
Direct Lending				
Municipal loans	271,000	291,837	283,000	223,926
School loans	125,000	129,248	141,000	88,815
Hospital loans	4,000	3,900	1,000	1,292
Total Programs	400,000	424,985	425,000	314,033
Financing				
Sources of Funds				
Sinking fund	250,000	230,000	210,000	107,000
Canada Pension Plan Investment Fund	—	278,470	325,000	311,347
Interest payments on loans	603,000	590,021	590,000	595,751
Principal repayments on loans	274,000	256,728	258,000	255,262
Decrease (Increase) in cash balances	(6,000)	55,020	26,000	(65,865)
	1,121,000	1,410,239	1,409,000	1,203,495
Applications of Funds				
Debt repayment including sinking fund contributions	88,000	334,492	335,000	247,805
Interest expense on debentures	633,000	650,762	649,000	641,657
Direct lending	400,000	424,985	425,000	314,033
	1,121,000	1,410,239	1,409,000	1,203,495

APPENDIX E

Capital Tax on Financial Institutions

Capital Tax on Financial Institutions

The following is a brief summary of the main provisions of the proposed capital tax on financial institutions. Details of the tax will be provided in the legislation.

Taxable Institutions

- Financial institutions which have a permanent establishment in Alberta at any time in a taxation year will pay a capital tax for that taxation year.
- Financial institutions will include chartered banks; deposit-taking loan, trust, and loan and trust corporations; and credit unions.

Tax Base

- In general, taxable paid-up capital will include paid-up capital stock, contributed surplus, retained earnings, and all reserves except those allowed as a deduction from income under the Alberta Corporate Income Tax Act.
- There will be no exemption in calculating taxable paid-up capital.
- Canadian resident corporations will be taxable on the proportion of their world taxable paid-up capital attributable to Alberta.
- Non-resident corporations will be taxable on the proportion of their taxable paid-up capital employed in Canada which is attibutable to Alberta.

Tax Rate

- The rate of tax will be 2% of taxable paid-up capital. Credit unions will pay a maximum of $100.

Effective Date and Instalments

- The effective date will be April 1, 1990. Tax will be prorated for taxation years which straddle April 1, 1990, based on the number of days in the taxation year after March 31, 1990.
- Payment for taxation years commencing prior to April 1, 1990 will be due two months after the corporation's year-end.
- Monthly instalments will be required, except for credit unions, for taxation years commencing after March 31, 1990.

Allocation Formula

- Taxable paid-up capital attributable to Alberta will be calculated as total taxable paid-up capital less taxable paid-up capital attributable to jurisdictions other than Alberta.
- Chartered banks resident in Canada will allocate taxable paid-up capital to other jurisdictions by using a formula which weights on a 2:1 basis the proportion of loans and deposits, and the proportion of salaries and wages paid, which are attributable to permanent establishments in those jurisdictions.

- Loan corporations, trust corporations and loan and trust corporations resident in Canada will allocate taxable paid-up capital to other jurisdictions based on the proportion of gross revenue that is attributable to permanent establishments in those jurisdictions.
- Non-resident corporations will allocate taxable paid-up capital as described above. However, it will be assumed that permanent establishments in Canada are a corporation's only permanent establishments and the amounts and proportions referred to in the allocation formula relate exclusively to activities at these permanent establishments.

Contact

For further information please contact

Alberta Treasury
Tax and Fiscal Policy
Corporate and Resource Taxation
462 Terrace Building
9515 - 107 Street
EDMONTON, Alberta
T2K 2C3

Phone: (403) 427-7137